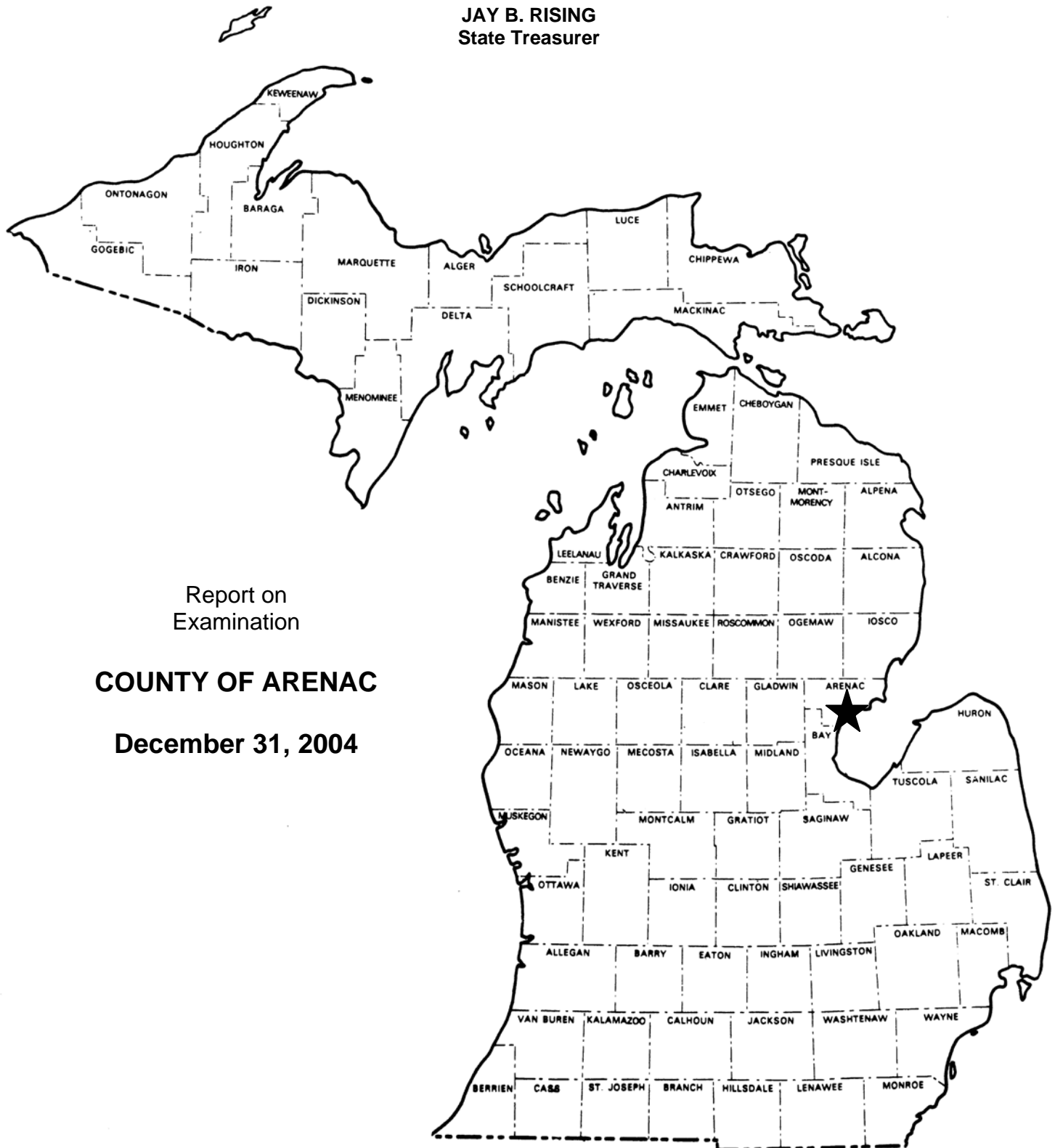


**STATE OF MICHIGAN**  
JENNIFER M. GRANHOLM, Governor  
**DEPARTMENT OF TREASURY**

JAY B. RISING  
State Treasurer



Local Audit and Finance Division  
Bureau of Local Government Services

**COUNTY OF ARENAC**  
**BOARD OF COMMISSIONERS**

Timothy Hagley  
Chairperson

Kenneth Kernstock

Virginia Zygiel

Pauline Hall

Amy Lynch

**COURT JUDGES**

William Miles  
Circuit Judge

Ronald M. Bergeron  
Circuit Judge

Jack W. Scully  
Probate Judge

Allen C. Yenior  
District Judge

**OTHER ELECTED OFFICIALS**

Dennis Stawowy  
Treasurer

Ricky R. Rockwell  
Clerk

Rosella Smith  
Register of Deeds

Donald Prueter  
Drain Commissioner

James Mosciski  
Sheriff

Curtis G. Broughton  
Prosecuting Attorney

COUNTY POPULATION--2000  
17,269

STATE EQUALIZED VALUATION--2004  
\$661,178,355



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JAY B. RISING  
STATE TREASURER

April 1, 2005

County of Arenac  
Board of County Commissioners  
120 North Grove Street  
Standish, Michigan 48658

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Arenac County, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the county's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Arenac County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Arenac County Road Commission (component unit--governmental fund type) which statements reflect total assets of \$4,333,382 as of December 31, 2004, and total revenues of \$4,948,467. These financial statements were audited by other auditors. Our opinion on these financial statements, insofar as it relates to the amounts included for the Arenac County Road Commission, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

As described in Note N, the county adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis," GASB Statement No. 38, "Certain Financial Statement Note Disclosures," and

Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of January 1, 2004.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Arenac, as of December 31, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 1, 2005, on our consideration of the County of Arenac's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 1 through 7 and the Budgetary Comparisons for Major Funds in Exhibits K through M are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurements and the presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Arenac's basic financial statements. The accompanying supplemental information in Exhibits N through W is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

# ARENAC COUNTY

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# ARENAC COUNTY

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## COUNTY OF ARENAC

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County, as a whole, and present a longer-term view of the County's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements.

#### The County as a Whole

Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.

	Governmental Activities	Business-Type Activities	Total
	2004	2004	2004
Current Assets	\$ 5,734,383	\$ 3,001,764	\$ 8,736,147
Noncurrent Assets	3,756,433		3,756,433
Total Assets	9,490,816	3,001,764	12,492,580
Current Liabilities	308,986	3,871	312,857
Noncurrent Liabilities	3,560,896		3,560,896
Total Liabilities	3,869,882	3,871	3,873,753
Net Assets			
Invested in Capital Assets--Net of Debt	3,010,056		3,010,056
Restricted	2,081,824		2,081,824
Unrestricted (Deficit)	529,054	2,997,893	3,526,947
Total Net Assets	\$ 5,620,934	\$ 2,997,893	\$ 8,618,827

# COUNTY OF ARENAC

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of the December 31, 2004:

	Governmental Activities <u>2004</u>	Business-Type Activities <u>2004</u>	Total <u>2004</u>
Program Revenues			
Charges for Services	\$ 1,334,251	\$ 350,434	\$ 1,684,685
Operating Grants and Contributions	1,474,537		1,474,537
Capital Grants and Contributions	155,098		155,098
General Revenues			
Property Taxes	4,068,633		4,068,633
State-Shared Revenues	219,822		219,822
Unrestricted Investment Earnings	20,857	24,269	45,126
Rentals	7,500		7,500
Other Revenues	5,630		5,630
Transfers	<u>449,123</u>	<u>(464,123)</u>	<u>(15,000)</u>
Total Revenues	<u>7,735,451</u>	<u>(89,420)</u>	<u>7,646,031</u>
Program Expenses			
General Government	2,187,148		2,187,148
Public Safety	2,083,865	20,763	2,104,628
Public Works	10,828		10,828
Health and Welfare	1,090,850		1,090,850
Community and Economic Development	255,771		255,771
Recreation and Culture	66,675		66,675
Other	956,994		956,994
Interest On Long-Term Debt	<u>35,351</u>	<u></u>	<u>35,351</u>
Total Expenses	<u>6,687,482</u>	<u>20,763</u>	<u>6,708,245</u>
Change in Net Assets	<u>\$ 1,047,969</u>	<u>\$ (110,183)</u>	<u>\$ 937,786</u>

The change in net assets is the result of an increase in property tax revenue and an increase in capital asset acquisitions during the year.



# COUNTY OF ARENAC

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Governmental Activities

As the County completed fiscal year 2004, its governmental funds reported are combined fund balances of \$1,680,189, an increase of \$598,969. The net changes are summarized below and the increase is due almost entirely to the funds held in the new Revenue Sharing Reserve Fund.

	Governmental Activities 2003	Governmental Activities 2004	Amount Difference 2004	Percentage Difference 2004
<b>Revenues</b>				
Taxes	\$ 3,314,755	\$ 4,068,633	\$ 753,878	23%
Licenses and Permits	149,937	172,720	22,783	15%
Federal Grants	528,899	503,657	(25,242)	-5%
State Grants	910,443	1,124,942	214,499	24%
Charges for Services	1,049,038	971,904	(77,134)	-7%
Contributions From Local Units	61,740	72,332	10,592	17%
Fines and Forfeits	19,919	23,191	3,272	16%
Interest and Rentals	25,535	28,357	2,822	11%
Other Revenue	308,102	206,137	(101,965)	-33%
<b>Total Revenues</b>	<b>6,368,368</b>	<b>7,171,873</b>	<b>803,505</b>	<b>13%</b>
<b>Expenses</b>				
General Government	1,976,953	2,135,087	158,134	8%
Public Safety	1,860,209	2,031,875	171,666	9%
Public Works	3,302	10,828	7,526	228%
Health and Welfare	1,322,197	1,090,850	(231,347)	-17%
Community and Economic Development		255,771	255,771	100%
Recreation and Cultural	43,390	43,933	543	1%
Other	825,010	956,994	131,984	16%
Capital Outlay	260,759	388,154	127,395	49%
Debt Service				
Principal	80,171	85,874	5,703	7%
Interest and Fiscal Fees	39,431	35,351	(4,080)	-10%
<b>Total Expenditures</b>	<b>6,411,422</b>	<b>7,034,717</b>	<b>623,295</b>	<b>10%</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(43,054)</b>	<b>137,156</b>	<b>180,210</b>	<b>-419%</b>
<b>Other Financing Sources (Uses)</b>				
Installment Purchase Proceeds		12,690	12,690	100%
Interfund Transfers In (Out)				
Primary Government	462,630	776,953	314,323	68%
Primary Government	(315,046)	(312,830)	2,216	-1%
Component Unit	(15,000)	(15,000)	-	0%
<b>Total Other Financing Sources (Uses)</b>	<b>132,584</b>	<b>461,813</b>	<b>329,229</b>	<b>248%</b>
<b>Beginning Fund Balance</b>	<b>991,690</b>	<b>1,081,220</b>	<b>89,530</b>	<b>9%</b>
<b>Ending Fund Balance</b>	<b>\$ 1,081,220</b>	<b>\$ 1,680,189</b>	<b>\$ 598,969</b>	<b>55%</b>

## COUNTY OF ARENAC

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### **The County's Funds**

Our analysis of the County's major funds is detailed in the Notes to the Financial Statements, following the entity wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the County as a whole. The County Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The County's major funds for 2004 include the General Fund, the 911 Service Fund, and the Housing Commission Fund.

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement, or board policy, all County revenues and expenditures are recorded in the General Fund.

The most significant services paid by the County's governmental funds are general government and public safety, which incurred expenses of \$2,135,087 and \$2,031,875, respectively, during 2004.

The County's total governmental revenues increased by approximately 12%. Most of the increase was in taxes because of a change in State law, and related accounting requirements that created a Revenue Sharing Reserve Fund, which had 2004 property tax revenue of \$594,399. The remaining increase in 2004 can be attributed to Homeland Security, Housing Commission, and Parks and Recreation grants.

Expenses increased by approximately 10% mainly due to the increasing cost of health care benefits, increased expenditures in public safety, and capital outlay purchases.

# COUNTY OF ARENAC

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Business-Type Activities

	Business-Type Activities 2003	Business-Type Activities 2004	Amount Difference 2004	Percentage Difference 2004
Operating Revenues				
Interest and Penalties on Taxes	\$ 231,080	\$ 315,701	\$ 84,621	37%
Charges for Services	3,239	20,934	17,695	546%
Other	12,376	13,799	1,423	11%
Total Operating Revenues	<u>246,695</u>	<u>350,434</u>	<u>103,739</u>	<u>42%</u>
Operating Expenses				
Supplies and Materials	33,190	20,763	(12,427)	-37%
Total Operating Expenses	<u>33,190</u>	<u>20,763</u>	<u>(12,427)</u>	<u>-37%</u>
Net Income (Loss) From Operations	<u>213,505</u>	<u>329,671</u>	<u>116,166</u>	<u>54%</u>
Nonoperating Revenue (Expenses)				
Interest Income	25,821	24,269	(1,552)	-6%
Total Nonoperating Revenues (Expenses)	<u>25,821</u>	<u>24,269</u>	<u>(1,552)</u>	<u>-6%</u>
Net Income (Loss) Before Operating Transfers	239,326	353,940	114,614	48%
Transfers (Out)--Primary Government	<u>(147,584)</u>	<u>(464,123)</u>	<u>(316,539)</u>	<u>214%</u>
Net Income (Loss)	91,742	(110,183)	(201,925)	-220%
Beginning Retained Earnings	<u>3,016,334</u>	<u>3,108,076</u>	<u>91,742</u>	<u>3%</u>
Ending Retained Earnings	<u>\$ 3,108,076</u>	<u>\$ 2,997,893</u>	<u>\$ (110,183)</u>	<u>-4%</u>

The County's business-type activities consist of the Jail Commissary Fund operating on sales of amenities to inmates and the Delinquent Tax Revolving Fund which represents collection of delinquent taxes from various years. Revenue from a grant for inmate identification was received during 2004. Most of the revenue increases, however, are a result of slower payment of delinquent taxes. Even though there was a larger than normal transfer used out of these funds, the County realized only a 4% decrease in the net assets of its business-type activities.

## COUNTY OF ARENAC

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### **General Fund Budgetary Highlights**

Over the course of the year, the County Board amended the budget to take into account events during the year. The County's General Fund revenue budget was increased by \$185,066 (4.25% above the original budget) during fiscal year 2004. Actual General Fund revenue and other financing sources totaled \$4,497,198, which was \$58,006 below the final amended budget. The largest variances were decreases in anticipated State grants and less than anticipated revenue in charges for services.

The County's expenditure budget was increased by \$215,316 (4.9% over the original budget) during fiscal year 2004. There were some wide variances in individual expenditure accounts as a result of increased costs in the jail, juvenile delinquent child care, and health insurance. There was also an increase in Health and Welfare costs during fiscal year 2004 mostly due to medical examiner fees and veteran burials. Actual General Fund expenditures and other financing sources totaled \$4,566,968, which was \$48,486 below the final amended budget. The largest variance was a decrease in anticipated general government.

#### **Capital Asset and Debt Administration**

At the end of 2004, the County had \$3,709,433 invested in a broad range of capital assets, including land, land improvements, buildings and building improvements, office equipment, and police vehicles and equipment. Major additions to the capital assets this year included a land acquisition in Standish, improvements to the Augres Park land and building, office equipment and a vehicle. These additions totaled \$388,154.

Debt is classified as long-term if it matures in a period greater than one year. At the end of the current fiscal year, the County had total debt outstanding of \$699,377 and vested employee benefits of \$165,076.

**COUNTY OF ARENAC**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Economic Factors and Next Year's Budgets and Rates**

The County has considered the following factor in preparing the 2005 fiscal year budget:

State Shared Revenue--This represents Arenac County's share of the State's sales tax. Budgetary projections were uncertain during the County's budget adoption process, as the State was undecided on their budget and was debating the Governor's proposal to shift County property tax collections from December to July. This proposal allowed the State to actually not make any revenue sharing payments to counties. The tax shift became law with the passage of Public Act 357 of 2004, which was effective September 30, 2004. In December 2004, Arenac County set up a special revenue fund, the Revenue Sharing Reserve Fund, in accordance with Department of Treasury Letter Number 2004-7, dated December 7, 2004, Property Tax Levy-County Tax Collections-Revenue Sharing Reserve Fund, and will collect the equivalent of one additional year of property taxes over the next three years, beginning in December 2004, and put these funds into this reserve fund. We will then draw an amount equivalent to our revenue sharing payments each year until this fund is exhausted. The State has promised to restart revenue sharing payments at that time. Arenac County believes this time frame to be approximately six years.

**Contacting the County's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Arenac County Board of Commissioners at 120 North Grove Street, Standish, MI 48658.

**ARENAC COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**December 31, 2004**

**EXHIBIT A**

	<b>PRIMARY GOVERNMENT</b>			
	Governmental Activities	Business-Type Activities	Total	Component Units
<b><u>ASSETS</u></b>				
Current Assets				
Cash and Cash Equivalents	\$ 471,954	\$ 1,582,425	\$ 2,054,379	\$ 945,833
Investments	541,409	694,528	1,235,937	300,000
Receivables (Net)	-			
Taxes--Current Levy	3,290,067		3,290,067	
Taxes--Delinquent		661,354	661,354	
Accounts	24,166		24,166	1,198
Interest	349	2,216	2,565	3,128
Notes	1,095,765		1,095,765	
Due From Local Units of Government	9,392	64,741	74,133	142,966
Due From Other Counties	43,450		43,450	
Due From State	254,331		254,331	476,438
Internal Balances	3,500	(3,500)	-	
Inventories				175,751
Prepaid Expenses	-		-	22,285
Total Current Assets	5,734,383	3,001,764	8,736,147	2,067,599
Noncurrent Assets				
Special Assessments Receivables				
Due Within One Year				117,425
Due in More Than One Year				239,969
Due From Local Units of Governments				
Due Within One Year			-	16,000
Due in More Than One Year			-	337,000
Capital Assets, Net of Accumulated Depreciation	3,709,433		3,709,433	3,237,918
Long-Term Advances to				
Other Funds--Component Units	47,000	-	47,000	
Total Assets	9,490,816	3,001,764	12,492,580	6,015,911
<b><u>LIABILITIES</u></b>				
Current Liabilities				
Accounts Payable	220,492	2	220,494	89,780
Due to State	32,452	3,869	36,321	-
Accrued Liabilities	56,042		56,042	19,039
Noncurrent Liabilities				
Advances From State	-		-	144,385
Long-Term Advances From				
Other Funds--Primary Government	-		-	47,000
Deferred Revenue	2,696,443		2,696,443	
Bonds Payable--Due Within One Year	35,000		35,000	16,000
Bonds Payable--Due in More Than One year	550,000		550,000	337,000
Installment Loan Payable--Due Within One Year	52,995		52,995	-
Installment Loan Payable--Due in More Than One Year	61,382		61,382	-
Notes Payable--Due in More Than One Year			-	210,000
Vested Employee Benefits Payable	165,076		165,076	44,899
Total Liabilities	3,869,882	3,871	3,873,753	908,103
<b><u>NET ASSETS</u></b>				
Investment in Capital Assets, Net of Related Debt	3,010,056		3,010,056	3,237,918
Restricted for				
911 Services	389,111		389,111	
Capital Projects	82,730		82,730	
FEMA Grants	41,614		41,614	
Housing Commission	1,178,011		1,178,011	
Non-Major Special Revenue Funds	390,358		390,358	
County Roads			-	1,407,668
Economic Development				4,660
Brownfield Redevelopment Authority				306
Department of Public Works			-	457,256
County Hospital			-	
Unrestricted	529,054	2,997,893	3,526,947	
Total Net Assets	\$ 5,620,934	\$ 2,997,893	\$ 8,618,827	\$ 5,107,808

The Notes to Financial Statements are an integral part of this statement.

**ARENAC COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2004**

**EXHIBIT B**

Functions/Programs	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities				
General Government	\$ 2,187,148	\$ 760,309	\$ 786,381	\$ 155,098
Public Safety	2,083,865	382,065	351,081	-
Public Works	10,828			
Health and Welfare	1,090,850	14,138	130,855	
Community and Economic Development	255,771	136,160	206,220	
Recreation and Culture	66,675	41,579		
Other	956,994			
Interest on Long-Term Debt	35,351			
Total Governmental Activities	6,687,482	1,334,251	1,474,537	155,098
Business-Type Activities				
Delinquent Tax Revolving Fund	-	329,500	-	-
Jail Commissary	20,763	20,934	-	-
Total Business-Type Activities	20,763	350,434	-	-
Total Primary Government	\$ 6,708,245	\$ 1,684,685	\$ 1,474,537	\$ 155,098
<b>Component Units</b>				
Road Commission	\$ 2,691,087	\$ 1,221,487	\$ 2,670,011	\$ 963,716
Economic Development Corporation	30,918	10,000	5,491	-
Brownfield Redevelopment Authority	-		-	-
Drain Commission	118,892	239,969		
Interest on Long-Term Debt	21,630		21,630	
Total Component Units	\$ 2,840,897	\$ 1,471,456	\$ 2,697,132	\$ 963,716

**ARENAC COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2004**

**EXHIBIT B**  
**(CONTINUED)**

<b>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</b>				
<b>PRIMARY GOVERNMENT</b>				
<u>Functions/Programs</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
<b>Primary Government</b>				
Governmental Activities				
General Government	\$ (485,360)		\$ (485,360)	
Public Safety	(1,350,719)		(1,350,719)	
Public Works	(10,828)		(10,828)	
Health and Welfare	(945,857)		(945,857)	
Community and Economic Development	86,609		86,609	
Recreation and Culture	(25,096)		(25,096)	
Other	(956,994)		(956,994)	
Interest on Long-Term Debt	(35,351)		(35,351)	
Total Governmental Activities	(3,723,596)	\$ -	(3,723,596)	
Business-Type Activities				
Delinquent Tax Revolving Fund		329,500	329,500	
Jail Commissary		171	171	
Total Business-Type Activities	-	329,671	329,671	
Total Primary Government	\$ (3,723,596)	\$ 329,671	\$ (3,393,925)	
<b>Component Units</b>				
Road Commission				\$ 2,164,127
Economic Development Corporation				(15,427)
Brownfield Redevelopment Authority				-
Drain Commission				121,077
Interest on Long-Term Debt				-
Total Component Units	\$ -	\$ -	\$ -	\$ 2,269,777
<b>General Revenues</b>				
Property Taxes	\$ 4,068,633		\$ 4,068,633	-
State-Shared Revenues	219,822		219,822	
Unrestricted Investment Earnings	20,857	\$ 24,269	45,126	\$ 14,324
Rentals	7,500		7,500	
Other Revenues	5,630		5,630	4,950
Special Item--Gain on Disposal of Capital Assets			-	78,929
Transfers	449,123	(464,123)	(15,000)	15,000
Total General Revenues--Special Items and Transfers	4,771,565	(439,854)	4,331,711	113,203
Change in Net Assets	1,047,969	(110,183)	937,786	2,382,980
Net Assets--Beginning	4,572,965	3,108,076	7,681,041	2,724,828
Net Assets--Ending	\$ 5,620,934	\$ 2,997,893	\$ 8,618,827	\$ 5,107,808

**The Notes to Financial Statements are an integral part of this statement.**



**ARENAC COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2004**

**EXHIBIT C**

	General Fund	911 Service Fund	Housing Commission Fund	Non-Major Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 54,389	\$ 90,965	\$ 94,550	\$ 232,050	\$ 471,954
Investments		278,994		262,415	541,409
Receivables					
Taxes--Current Levy	1,446,666	338,534		1,504,867	3,290,067
Accounts	17,808	5,152		1,206	24,166
Interest	349				349
Notes			1,095,765		1,095,765
Due From Local Units of Government	9,392				9,392
Due From Other Counties	40,650			2,800	43,450
Due From State	44,766	21,896		187,669	254,331
Due From Other Funds--Primary Government	55,000			3,500	58,500
Advances to Other Funds--Primary Government	3,000				3,000
Advances to Other Funds--Component Units	47,000				47,000
Total Assets	\$ 1,719,020	\$ 735,541	\$ 1,190,315	\$ 2,194,507	\$ 5,839,383
<b><u>LIABILITIES AND FUND EQUITY</u></b>					
Liabilities					
Accounts Payable	\$ 135,774	\$ 366	\$ 12,304	\$ 72,048	\$ 220,492
Due to Other Funds--Primary Government				55,000	55,000
Due to State				32,452	32,452
Accrued Liabilities	36,849	7,530		11,663	56,042
Long-Term Advances From					
Other Funds--Primary Government				3,000	3,000
Deferred Revenue--Taxes	1,446,666	338,534		910,468	2,695,668
Deferred Revenue--Other			1,095,765	775	1,096,540
Total Liabilities	1,619,289	346,430	1,108,069	1,085,406	4,159,194
Fund Equity					
Fund Balances					
Reserved for					
Capital Projects				82,730	82,730
FEMA Grants				41,614	41,614
911 Services		389,111			389,111
Long-Term Advances to Other Funds	50,000				50,000
Unreserved--Undesignated	49,731	-	82,246	984,757	1,116,734
Total Fund Equity	99,731	389,111	82,246	1,109,101	1,680,189
Total Liabilities and Fund Equity	\$ 1,719,020	\$ 735,541	\$ 1,190,315	\$ 2,194,507	\$ 5,839,383

**The Notes to Financial Statements are an integral part of this statement.**

**ARENAC COUNTY**  
**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET**  
**FOR GOVERNMENTAL FUNDS TO NET ASSETS OF**  
**GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS**  
**December 31, 2004**

Fund Balances--Total Governmental Funds	\$ 1,680,189
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Add--Capital Assets	5,424,469
Deduct--Accumulated Depreciation	<u>(1,715,036)</u>
Net Capital Asset Addition	<u>3,709,433</u>
Revenues that do not provide current financial resources are not reported as revenue in the funds.	
	1,095,765
Certain liabilities, such as compensated absences are not due and payable in the current period. Therefore, they are not reported in the funds' statement.	
Deduct--Long-Term Debt	(699,377)
Deduct--Compensated Absences and Other Long-Term Liabilities	<u>(165,076)</u>
Net Assets of Governmental Activities	<u><u>\$ 5,620,934</u></u>

**The Notes to Financial Statements are an integral part of this statement.**

**ARENAC COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

**EXHIBIT D**

	General Fund	911 Service Fund	Housing Commission Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes and Penalties	\$ 2,266,105	\$ 330,009		\$ 1,472,519	\$ 4,068,633
Licenses and Permits	11,346			161,374	172,720
Federal Grants	83,943		\$ 163,781	255,933	503,657
State Grants	764,038	87,848	42,439	230,617	1,124,942
Contributions From Local Units	72,332				72,332
Charges for Services	774,450	84,409	21,705	91,340	971,904
Fines and Forfeitures	20,387			2,804	23,191
Interest and Rentals	27,862	495			28,357
Other Revenue	169,494	55		36,588	206,137
<b>Total Revenues</b>	<b>4,189,957</b>	<b>502,816</b>	<b>227,925</b>	<b>2,251,175</b>	<b>7,171,873</b>
<b>Expenditures</b>					
Current					
General Government	1,893,240			241,847	2,135,087
Public Safety	959,794	411,318		660,763	2,031,875
Public Works	10,828				10,828
Health and Welfare	310,685			780,165	1,090,850
Community and Economic Development	8,631		247,140		255,771
Recreation and Cultural	-			43,933	43,933
Other	956,895			99	956,994
Capital Outlay	101,228			286,926	388,154
Debt Service					
Principal	47,921			37,953	85,874
Interest and Fiscal Fees	8,446			26,905	35,351
<b>Total Expenditures</b>	<b>4,297,668</b>	<b>411,318</b>	<b>247,140</b>	<b>2,078,591</b>	<b>7,034,717</b>
Excess of Revenues Over (Under) Expenditures	(107,711)	91,498	(19,215)	172,584	137,156
<b>Other Financing Sources (Uses)</b>					
Installment Purchase Proceeds				12,690	12,690
Interfund Transfers In					
Primary Government	307,241			469,712	776,953
Interfund Transfers (Out)					
Primary Government	(254,300)	(58,530)			(312,830)
Component Unit	(15,000)				(15,000)
<b>Total Other Financing Sources (Uses)</b>	<b>37,941</b>	<b>(58,530)</b>	<b>-</b>	<b>482,402</b>	<b>461,813</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(69,770)	32,968	(19,215)	654,986	598,969
Fund Balance--January 1, 2004	169,501	356,143	101,461	454,115	1,081,220
Fund Balance--December 31, 2004	\$ 99,731	\$ 389,111	\$ 82,246	\$ 1,109,101	\$ 1,680,189

**The Notes to Financial Statements are an integral part of this statement.**

**ARENAC COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2004**

**EXHIBIT D-1**

Net Change in Fund Balances--Total Governmental Funds \$ 598,969

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Revenues in the Statement of Activities that do not provide current financial  
resources are not reported as revenues in the funds. 114,455

Governmental funds report capital outlays as expenditures. However,  
in the Statement of Activities, the costs of those assets are allocated over  
their estimated useful lives and reported as depreciation expense.

Add--Capital Outlay	388,154
Deduct--Depreciation Expense	(134,309)

Repayment of bond principal is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the Statement of Net Assets.

Add--Principal Payments on Long-Term Liabilities	85,874
--	--------

Some expenses reported in the Statement of Activities do not require the use of current financial resources. Therefore, they are not reported as expenditures in the funds.	<u>7,516</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 1,047,969</u></u>
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**The Notes to Financial Statements are an integral part of this statement.**

**ARENAC COUNTY  
STATEMENT OF NET ASSETS  
ENTERPRISE FUNDS  
DECEMBER 31, 2004**

**EXHIBIT E**

	<b><u>BUSINESS-TYPE ACTIVITIES</u></b>		
	<b>Delinquent Tax Revolving</b>	<b><u>Non-Major Jail Commissary</u></b>	<b>Total Enterprise Funds</b>
<b><u>ASSETS</u></b>			
Current Assets			
Cash and Cash Equivalents	\$ 1,574,196	\$ 8,229	\$ 1,582,425
Investments	694,528		694,528
Delinquent Taxes Receivable	661,354		661,354
Interest Receivable	2,216		2,216
Due From Other Governmental Units	54,395		54,395
Advance to Other Governmental Units	10,346		10,346
Total Assets	2,997,035	8,229	3,005,264
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts Payable		2	2
Due to Other Funds--Primary Government	3,500		3,500
Due to State	3,869		3,869
Total Current Liabilities	7,369	2	7,371
Total Liabilities	7,369	2	7,371
<b><u>NET ASSETS</u></b>			
Unrestricted	2,989,666	8,227	2,997,893
Total Net Assets	\$ 2,989,666	\$ 8,227	\$ 2,997,893

**The Notes to Financial Statements are an integral part of this statement.**

**ARENAC COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET ASSETS--ENTERPRISE FUNDS**  
**For the Year Ended December 31, 2004**

**EXHIBIT F**

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b>Delinquent Tax Revolving</b>	<b>Non-Major Jail Commissary</b>	<b>Total Enterprise Funds</b>
Operating Revenues			
Interest on Delinquent Taxes	\$ 242,691		\$ 242,691
Property Tax Administration Fees	73,010		73,010
Charges for Services		\$ 20,934	20,934
Other	13,799		13,799
Total Operating Revenues	329,500	20,934	350,434
Operating Expenses			
Supplies and Materials		20,763	20,763
Total Operating Expenses	-	20,763	20,763
Operating Income (Loss)	329,500	171	329,671
Nonoperating Revenues (Expenses)			
Interest and Investment Revenue	24,269		24,269
Total Nonoperating Revenues (Expenses)	24,269	-	24,269
Income (Loss) Before Contributions and Transfers	353,769	171	353,940
Interfund Transfers			
Transfers (Out)	(464,123)		(464,123)
Change in Net Assets	(110,354)	171	(110,183)
Total Net Assets--January 1, 2004	3,100,020	8,056	3,108,076
Total Net Assets--December 31, 2004	\$ 2,989,666	\$ 8,227	\$ 2,997,893

**The Notes to Financial Statements are an integral part of this statement.**

**ARENAC COUNTY**  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
**For the Year Ended December 31, 2004**

**EXHIBIT G**

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b>Delinquent Tax Revolving</b>	<b>Non-Major Jail Commissary</b>	<b>Total</b>
Cash Flows From Operating Activities			
Interest on Delinquent Taxes	\$ 242,691		\$ 242,691
Property Tax Administration Fees	73,010		73,010
Other Operating Revenue	13,799		13,799
Charges for Services		\$ 21,662	21,662
Delinquent Taxes Collected	1,882,476		1,882,476
Delinquent Taxes Purchased	(1,605,651)		(1,605,651)
Goods and Services Purchased		(23,222)	(23,222)
Net Cash Provided by Operating Activities	606,325	(1,560)	604,765
Cash Flows From Noncapital Financing Activities			
(Increase) or Decrease in Other Receivables	(45,686)		(45,686)
Increase or (Decrease) in Due to Other Funds	(93,500)		(93,500)
Increase or (Decrease) in Other Payables	(1,871)		(1,871)
Transfers (Out)	(464,123)		(464,123)
Net Cash Flows From Noncapital Financing Activities	(605,180)	-	(605,180)
Cash Flows From Investing Activities			
Interest on Cash Equivalents	22,053		22,053
Purchase of Investments	(304,881)	-	(304,881)
Net Cash Provided by Investing Activities	(282,828)	-	(282,828)
Net Increase in Cash and Cash Equivalents	(281,683)	(1,560)	(283,243)
Cash and Cash Equivalents--January 1, 2004	1,855,879	9,789	1,865,668
Cash and Cash Equivalents--December 31, 2004	<u>\$ 1,574,196</u>	<u>\$ 8,229</u>	<u>\$ 1,582,425</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 329,500	\$ 171	\$ 329,671
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Changes in Assets and Liabilities			
Decrease (Increase) in Accounts Receivable		728	728
Decrease (Increase) in Delinquent Taxes Receivable	276,825		276,825
Increase (Decrease) in Accounts Payable		(2,459)	(2,459)
Net Cash Provided by Operating Activities	<u>\$ 606,325</u>	<u>\$ (1,560)</u>	<u>\$ 604,765</u>

**The Notes to Financial Statements are an integral part of this statement.**

**ARENAC COUNTY  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
December 31, 2004**

**EXHIBIT H**

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash	<u>\$ 535,462</u>
Total Assets	<u><u>\$ 535,462</u></u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>	
Liabilities	
Due to State of Michigan	\$ 42,450
Undistributed Tax Collections	305,385
Undistributed Penal Fines	70,091
Other Liabilities	<u>117,536</u>
Total Liabilities	<u><u>\$ 535,462</u></u>

**The Notes to Financial Statements are an integral part of this statement.**



**ARENAC COUNTY**  
**COMBINING STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**December 31, 2004**

**EXHIBIT I**

	<b>GOVERNMENTAL ACTIVITIES</b>				
	Road Commission	Economic Development Corporation	Brownfield Redevelopment Authority	Drain Commission	Total
<b><u>ASSETS</u></b>					
Current Assets					
Cash and Cash Equivalents	\$ 565,944	\$ 7,433	\$ 306	\$ 372,150	\$ 945,833
Investments	300,000				300,000
Receivables (Net)					
Accounts	1,198				1,198
Interest	3,128				3,128
Due From Local Units of Government	142,966				142,966
Due From State	476,438				476,438
Inventories	175,751				175,751
Prepaid Expenses	22,285				22,285
Total Current Assets	1,687,710	7,433	306	372,150	2,067,599
Noncurrent Assets					
Special Assessments Receivable					
Due Within One Year				117,425	117,425
Due in More Than One Year				239,969	239,969
Due From Local Units of Government					
Due Within One Year				16,000	16,000
Due in More Than One Year				337,000	337,000
Capital Assets (Net of Accumulated Depreciation)	2,645,672			592,246	3,237,918
Total Noncurrent Assets	2,645,672	-	-	1,302,640	3,948,312
Total Assets	4,333,382	7,433	306	1,674,790	6,015,911
<b><u>LIABILITIES</u></b>					
Current Liabilities					
Accounts Payable	71,719	2,773		15,288	89,780
Accrued Liabilities	19,039				19,039
Advances From State	144,385				144,385
Total Current Liabilities	235,143	2,773	-	15,288	253,204
Noncurrent Liabilities					
Long-Term Advances From Primary Government--General Fund				47,000	47,000
Bonds Payable					
Due Within One Year				16,000	16,000
Due in More Than One Year				337,000	337,000
Notes Payable					
Due in More Than One Year				210,000	210,000
Vested Employee Benefits Payable	44,899				44,899
Total Noncurrent Liabilities	44,899	-	-	610,000	654,899
Total Liabilities	280,042	2,773	-	625,288	908,103
<b><u>NET ASSETS</u></b>					
Invested in Capital Assets--Net of Related Debt Restricted for	2,645,672			592,246	3,237,918
County Roads	1,407,668				1,407,668
Economic Development		4,660			4,660
Brownfield Redevelopment Authority			306		306
Drain Commission Capital Projects				457,256	457,256
Total Net Assets	\$ 4,053,340	\$ 4,660	\$ 306	\$ 1,049,502	\$ 5,107,808

The Notes to Financial Statements are an integral part of this statement.

**ARENAC COUNTY**  
**COMBINING STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**Year Ended December 31, 2004**

**EXHIBIT J**

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Economic Development Corporation	Brownfield Redevelopment Authority	Drain Commission	Total
Governmental Activities									
Road Commission									
Public Works	\$ 2,691,087	\$ 1,221,487	\$ 2,670,011	\$ 963,716	\$ 2,164,127				\$ 2,164,127
Total Road Commission	2,691,087	1,221,487	2,670,011	963,716	2,164,127	\$ -	\$ -	\$ -	2,164,127
Economic Development Corporation									
Community and Economic Development	30,918	10,000	5,491			(15,427)			(15,427)
Total Economic Development Corporation	30,918	10,000	5,491	-	-	(15,427)		-	(15,427)
Brownfield Redevelopment Authority									
Community and Economic Development							-		-
Total Brownfield Redevelopment Authority	-	-	-	-	-	-	-	-	-
Drain Commission									
Public Works	118,892	239,969						121,077	121,077
Interest on Related Debt	21,630		21,630					-	-
Total Drain Commission	\$ 140,522	\$ 239,969	\$ 21,630	\$ -	-	-	-	121,077	121,077
General Revenues									
Investment Earnings					14,324				14,324
Other Revenues						4,950			4,950
Special Item--Gain on Sale of Capital Assets					78,929				78,929
Transfers						15,000			15,000
Total General Revenues, Special Items and Transfers					93,253	19,950		-	113,203
Change in Net Assets					2,257,380	4,523		121,077	2,382,980
Net Assets--Beginning of Year					1,795,960	137	306	928,425	2,724,828
Net Assets--End of Year					\$ 4,053,340	\$ 4,660	\$ 306	\$ 1,049,502	\$ 5,107,808

The Notes to Financial Statements are an integral part of this statement.

## ARENAC COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Reporting Entity

Arenac County, Michigan, was organized in 1883 and covers an area of 366 square miles divided into 12 townships, 3 cities and 3 villages. The county is governed by an elected five member board of commissioners and provides services to its more than 17,269 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present Arenac County (the primary government) and its component units. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. The component units, discussed below, are included in the county's financial reporting entity because of the significance of their operational or financial relationships with the county.

The component unit columns in the basic financial statements include the financial data of the Arenac County Road Commission, Economic Development Corporation, Brownfield Redevelopment Authority and Drain Commission. These financial statements are reported in separate columns to emphasize that they are legally separate from the county.

#### BLENDED COMPONENT UNITS

##### Building Authority

The Arenac County Building Authority is governed by a 5 member board appointed by the county board of commissioners. Although it is legally separate from the county, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the county's public buildings.

##### Arenac County Housing Commission

The Arenac County Housing Commission was created on March 17, 1975 in the State of Michigan, under the provisions of Public Act 18 of the Extra Session of 1933, as amended. A 5-member board appointed by the Arenac County Board of Commissioners administers the Housing Commission. Although it is legally separate from the county, the Housing Commission is reported as if it were part of the primary government because its sole purpose is to rehabilitate and make safe inhabited dwellings existing in the County of Arenac. The Arenac County Board of Commissioners approves all grants received by the Housing Commission.

## ARENAC COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### DISCRETELY PRESENTED COMPONENT UNITS

###### Road Commission

The Arenac County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an elected three member board of county road commissioners. The Road Commission may not issue debt or levy property taxes without the county's approval.

###### Economic Development Corporation

The Arenac County Economic Development Corporation (EDC) was established pursuant to the provisions of Public Act 338 of 1974, as amended. The EDC is included as part of the Arenac County entity for financial reporting purposes because the Arenac County Board of Commissioners appoints its eleven-member board of directors. The EDC may not issue debt without the county's approval and the EDC administers the County's Economic Development Revolving Loan Fund established by Federal grants to the county.

###### Brownfield Redevelopment Authority

The Arenac County Brownfield Redevelopment Authority (BRA) was established pursuant to the provisions of Public Act 381 of 1996, as amended. The BRA is included as part of the Arenac County entity for financial reporting purposes because the Arenac County Board of Commissioners appoints its eleven-member board of directors. The BRA may not issue debt without the county's approval and the BRA administers the County's Brownfield Redevelopment Authority Fund established to facilitate the implementation of Brownfield plans relating to the identification and treatment of environmentally distressed (functionally obsolete and/or blighted) areas so as to promote revitalization within the municipal limits of Arenac County.

###### Drain Commission

The Arenac County Drain Commission was established pursuant to the Drain Code of 1956. The drain commissioner has the responsibility to administer the State Drain Code, which involves planning, developing, and maintaining surface water drainage systems within the county. The Arenac County Drain Commission may issue debt or levy a tax as authorized by the Drain Code without the approval of the county board of commissioners.

Complete audited and/or unaudited financial statements of the individual component units can be obtained from their respective administrative offices.

# ARENAC COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Administrative Offices

Arenac County Housing Commission  
120 North Grove Street  
Standish, Michigan 48658

Arenac County Road Commission  
116 Bridge Street  
Omer, Michigan 48649

Arenac County Economic Development Corporation  
120 North Grove Street  
Standish, Michigan 48658

Arenac County Drain Commission  
120 North Grove Street  
Standish, Michigan 48658

Arenac County Brownfield Redevelopment Authority  
120 North Grove Street  
Standish, Michigan 48658

#### Jointly Governed Organization--Central Michigan District Health Department

Arenac County, in conjunction with Arenac, Gladwin, Isabella, Osceola and Roscommon counties, has created the Central Michigan District Health Department under the authority of the Public Health Code. The District Health Board is composed of two members from each of the counties who are appointed by each participating county board of commissioners. All of the financial operations of the District Health Department are recorded in the records of Isabella County, as a discretely presented component unit. The funding formula approved by the member counties is based pro rata on each unit's population and State equalized valuation to the district's population and valuation.

Member counties' percentages of the net operating budget for 2004 were:

Arenac	10.54%	Isabella	28.49%
Gladwin	14.37%	Osceola	12.44%
Clare	16.85%	Roscommon	17.31%

Arenac County's 2004 formula appropriation to the District Health Department was \$126,512.

#### Jointly Governed Organization--Bay Arenac Community Mental Health Services Board

Arenac County, in conjunction with Bay County, has created the Bay Arenac Community Mental Health Services Board, which is a community mental health organization defined in the Mental Health Code, MCL 330.1001, et seq., as amended. Community Mental Health Services Board is composed of 12 members apportioned between the member counties on the basis of population. The board appointments are approved by the respective county board of commissioners. All of the financial operations of the Mental Health Authority are recorded in the records of Bay County, as a discretely presented component unit. The funding of the Mental Health Authority operations is based pro rate on each unit's population to the district's total population.

## ARENAC COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Arenac County's 2004 appropriation to the Mental Health Board was \$104,812.

#### Related Organizations--Arenac County Council on Aging

Arenac County Council on Aging is a non-profit corporation. The council is a legally separate organization established for providing and promoting services to the aged and disabled. The voters approved a special millage to fund the Council on Aging.

The council consists of the entire geographic area of Arenac County. It is governed by not more than 15 or less than 12 board members. Members serve for up to two consecutive three-year terms and are elected by a majority of the presiding board. Upon dissolution all assets shall be distributed for one or more exempt purposes.

Arenac County does levy a tax to provide services to older persons. Revenues from the tax are accounted for in a special revenue fund. An agreement for services to older persons was entered into with the Arenac County Council on Aging.

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## ARENAC COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the county.

The county reports the following major governmental funds:

The General Fund is the county's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The 911 Service Fund accounts for property taxes, surcharges and state wireless surcharge used to support the 911 service provided by the county.

The Housing Commission Fund accounts for Federal and State grants used for housing programs administered by the county.

## ARENAC COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The county reports the following major proprietary funds:

The Delinquent Tax Revolving Fund accounts for the county's annual purchase of delinquent real property taxes from each of the local taxing units within the county and the ultimate collection from the property owners of the delinquent taxes with penalty and interest.

Additionally, the county reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds that are subject to this same limitation. The county has elected to consistently apply all applicable FASB pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the delinquent tax fund and the jail commissary fund are collection fees for delinquent taxes and sales commissions, respectively. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the county's policy to use restricted resources first, then unrestricted resources as they are needed.

#### Cash, Cash Equivalents, and Investments

For purposes of the statement of cash flows, demand deposits and short-term investments with maturity of three months or less when acquired are considered to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value.

#### Taxes Receivable--Current

The county property tax is levied on each December 1st on the taxable valuation of property located in the county as of the preceding December 31st.



# ARENAC COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Although the county's 2004 ad valorem taxes are levied and collectible on December 1<sup>st</sup>, it is the county's policy to recognize revenue from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of the county operations.

The 2004 State equalized valuation of Arenac County amounted to \$661,178,355 and the taxable valuation is \$454,387,440, on which ad valorem taxes of 4.9888 mills were approved and levied for county operating purposes, .5132 mills for senior citizens programs, .5888 mills for county ambulance service, .9754 mills for the county's road patrol and .7802 mills for E-911 service. The 2004 current tax levy is recognized as property taxes receivable in the respective funds with an offsetting credit to deferred revenue. However, property taxes receivable and deferred revenue in the General Fund have been reduced by \$723,334 because \$128,935 and \$594,399 of the 2004 county operating tax levy was recorded as 2004 revenue in the General Fund and Revenue Sharing Reserve Fund, respectively, in accordance with Public Act 357 of 2004 which provided a funding mechanism to serve as a substitute for revenue sharing payments from the state to the county. This substitute funding mechanism involves a gradual shift, over three years, of county property tax millage from a winter tax levy to a summer tax levy.

#### Taxes Receivable--Delinquent

The delinquent taxes receivable recorded in the Delinquent Tax Revolving Fund consist of uncollected real property taxes levied prior to 2004. The delinquent real property taxes may be summarized as follows:

2003	\$ 385,319
2002	77,018
2001	7,408
2000	935
1999 and Prior	<u>190,674</u>
Total Delinquent Taxes Receivable	<u><u>\$ 661,354</u></u>

### INVENTORIES

#### Road Commission (Component Unit)

Inventories consisting of equipment parts and material of \$90,624 and road materials of \$85,127 are stated at cost, as determined on the average unit cost method. Inventory items are charged to equipment repairs and operations and to road construction and maintenance as used.

## ARENAC COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### PROPERTY, PLANT AND EQUIPMENT

###### Capital Assets--Primary Government and Drain Component Unit

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Land Improvements	20 to 25 years
Buildings	15 to 50 years
Equipment	3 to 10 years
Vehicles	5 to 10 years

###### Capital Assets--Road Commission (Component Unit)

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Arenac County Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the road commission's fund financial statements and are subsequently capitalized in the government-wide statements through an adjustment to the road commission general operating fund.

## ARENAC COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Costs to construct or substantially rehabilitate major networks and subsystems of infrastructure assets (roads, traffic signals and similar items) in 2004 were capitalized and are reported as infrastructure capital assets in the Statement of Net Assets. Infrastructure capital assets will continue to be capitalized prospectively, beginning with the year ended December 31, 2004.

Depreciation is recorded over the estimated useful lives (ranging from five to fifty years) of the assets, using the sum-of-the-years-digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure--Roads	5 to 30 years
Infrastructure--Bridges	12 to 50 years
Infrastructure--Traffic Signals	15 years

#### Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

#### Other Financing Sources (Uses)

In the fund financial statements, the transfers of cash between the various county funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case they are carried as assets and liabilities of the advancing or borrowing funds.

#### Compensated Absences (Vacation and Sick Leave)

It is the county's policy to permit employees to accumulate earned unused sick and vacation pay benefits. A liability for vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

## ARENAC COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## ARENAC COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

##### Budgets and Budgetary Accounting

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, which requires the county board of commissioners to approve budgets for the General Fund and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. Budgets are adopted by the county board of commissioners for the General Fund and special revenue funds, except for the County Road Fund, County Economic Development Corporation Fund, and the County Brownfield Redevelopment Authority Fund, whose budgets are adopted and administered by the board of county road commissioners, county economic development corporation, and county brownfield redevelopment authority, respectively. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The General Fund budget is adopted at the activity level and control is exercised at that level. The special revenue funds' budgets are adopted at the functional level and control is exercised at that level. The county board of commissioners has authorized the county treasurer to make General Fund budget transfers between activities when necessary, without increasing the overall budget and with the transfers to be subsequently presented to the board for their review and approval.

#### NOTE C--CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the county to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

# ARENAC COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE C--CASH AND INVESTMENTS (Continued)

The county has designated eight financial institutions for deposit of the county funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997 and has authorized investment in accordance with the State statutory authority as listed above.

At year-end, Arenac County's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Carrying Amounts	
				Total Primary Government	Component Units
<u>Cash and Deposits</u>					
Cash and Cash Equivalents	\$ 471,954	\$1,582,425	\$535,462	\$ 2,589,841	\$ 945,833
Investments	<u>541,409</u>	<u>694,528</u>	<u></u>	<u>1,235,937</u>	<u>300,000</u>
Total	<u>\$1,013,363</u>	<u>\$2,276,953</u>	<u>\$535,462</u>	<u>\$ 3,825,778</u>	<u>\$ 1,245,833</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Component Units
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit Investments in Securities, Mutual Funds and Similar Vehicles	\$2,453,714	\$ 1,306,880
Petty Cash and Cash on Hand	<u>1,100</u>	<u></u>
Total	<u>\$3,690,751</u>	<u>\$ 1,306,880</u>

The bank balance of the primary government's deposits is \$2,453,714, of which \$300,000 is covered by Federal depository insurance. The component units' deposits had a bank balance of \$1,306,880 of which \$100,000 was covered by Federal depository insurance.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the local governmental unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the local governmental unit's name.

ARENAC COUNTY  
NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH AND INVESTMENTS (Continued)

At year-end, the government's investment balances were categorized as follows:

	Category			Reported
	1	2	3	Amount (Fair Value)
Primary Government				
Bonds	\$ 301,117			301,117
Investments Not Subject to Categorization				
Money Market				409,798
MBIA Class				<u>525,022</u>
Total Primary Government				<u><u>\$ 1,235,937</u></u>
Component Units				
Long-Term Certificates of Deposits	300,000			<u>\$ 300,000</u>
Total Component Units				<u><u>\$ 300,000</u></u>

The nature of the pooled investments does not allow for risk-categorization in accordance with GASB Statement No. 3.

# ARENAC COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE D--RECEIVABLES

Receivables as of year-end for the primary government's individual major and nonmajor funds, and component units, including the applicable allowances for uncollectible accounts, are as follows:

	Primary Government					Component Units
	General Fund	911 Service Fund	Housing Commission Fund	Delinquent Tax Revolving Fund	Non-Major Funds	Total
Taxes	\$ 1,446,666	\$ 338,534		\$ 661,354	\$ 1,504,867	\$ 3,951,421
Special Assessments						-
Accounts	17,808	5,152			1,206	24,166
Notes			\$ 1,095,765			1,095,765
Interest	349			2,216		2,565
Due From State	44,766	21,896			187,669	254,331
Due From Other						
Governmental Units	50,042			64,741	2,800	117,583
Less: Allowance for Uncollectibles						-
Total	<u>\$ 1,559,631</u>	<u>\$ 365,582</u>	<u>\$ 1,095,765</u>	<u>\$ 728,311</u>	<u>\$ 1,696,542</u>	<u>\$ 5,445,831</u>
						<u>\$ 1,334,124</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Taxes--Current Levy	\$2,696,443	
Special Assessments	357,394	
Due From Village of Twining--Sewer (Note 1)	353,000	
Long-Term Notes Receivable	<u>1,095,765</u>	
Total	<u>\$4,502,602</u>	<u>\$ -</u>

Note 1--The Village of Twining February 29, 2004 fiscal year end audit report includes the following "Going Concern" note: Untimely billings for services rendered, insufficient sewer assessments, and an inability to meet debt requirements has created a going concern issue. Management plans to seek additional grants from the State of Michigan to assist in the payment of the debt.



# ARENAC COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE E--INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS

The amounts of interfund receivables and payables for the primary government are as follows:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Due From/To Other Funds			
General	\$55,000	Non-Major Governmental	\$55,000
Non-Major Governmental	<u>3,500</u>	Delinquent Tax Revolving	<u>3,500</u>
Total	<u>\$58,500</u>		<u>\$58,500</u>

The amounts of interfund receivables and payables for the component units are as follows:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Due From/To Other Funds			
Drain Revolving	<u>\$ 20,731</u>	Drain	<u>\$ 20,731</u>
Total	<u>\$ 20,731</u>		<u>\$ 20,731</u>
Total Reporting Entity	<u>\$ 79,231</u>	Total Reporting Entity	<u>\$ 79,231</u>

The long-term advances to other funds, which represent long-term interfund receivables and payables that are not available to finance current operations, are as follows:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Advances To/From Other Funds			
General	<u>\$3,000</u>	Non-Major Governmental	<u>\$ 3,000</u>
Total Primary Government	<u>\$3,000</u>	Total Primary Government	<u>\$ 3,000</u>

#### Primary Government and Discrete Component Units

	<u>Amount</u>		<u>Amount</u>
Advances To/From Other Funds			
Primary Government		Component Unit	
General	<u>\$47,000</u>	Drain Revolving	<u>\$47,000</u>
Total Primary Government	<u>\$47,000</u>	Total Component Unit	<u>\$47,000</u>
Total Reporting Entity	<u>\$ 50,000</u>	Total Reporting Entity	<u>\$ 50,000</u>

# ARENAC COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE E--INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS (Continued)

The 2004 operating transfers from Exhibits D and F can be summarized as follows for the primary government and component units:

#### Interfund Transfers

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers (Out)</u>
Primary Government		Primary Government	
General	\$ 307,241	Delinquent Tax Revolving	\$ 307,241
Non-Major Governmental	469,712	General	254,300
		Delinquent Tax Revolving	156,882
		911 Service	58,530
Total Primary Government	<u>\$ 776,953</u>		<u>\$ 776,953</u>
Component Unit		Primary Government	
Economic Development Corporation	<u>\$ 15,000</u>	General	<u>\$ 15,000</u>
Total Component Units	<u>\$ 15,000</u>		<u>\$ 15,000</u>
Total Reporting Entity	<u>\$ 791,953</u>		<u>\$ 791,953</u>

# ARENAC COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE F--CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Account Balances 01/01/04	Additions	Deductions	Account Balances 12/31/04
Capital Assets Not Being Depreciated				
Land	\$ 1,491,217	\$ 128,071		\$ 1,619,288
Subtotal	<u>1,491,217</u>	<u>128,071</u>	<u>\$ -</u>	<u>1,619,288</u>
Capital Assets Being Depreciated				
Land Improvements	7,809	94,796		102,605
Buildings	3,081,975	106,496		3,188,471
Equipment	120,735	39,080		159,815
Vehicles	334,579	19,711		354,290
Total	<u>3,545,098</u>	<u>260,083</u>	<u>-</u>	<u>3,805,181</u>
Less Accumulated Depreciation				
Land Improvements	4,416	5,051		9,467
Buildings	1,268,152	81,011		1,349,163
Equipment	36,212	15,299		51,511
Vehicles	271,947	32,948		304,895
Total	<u>1,580,727</u>	<u>134,309</u>	<u>-</u>	<u>1,715,036</u>
Net Capital Assets Being Depreciated	<u>1,964,371</u>	<u>260,083</u>	<u>134,309</u>	<u>2,090,145</u>
Total Net Capital Assets	<u><u>\$ 3,455,588</u></u>	<u><u>\$ 388,154</u></u>	<u><u>\$ 134,309</u></u>	<u><u>\$ 3,709,433</u></u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 48,462
Public Safety	63,105
Recreation and Cultural	<u>22,742</u>
Total Depreciation Expense	<u><u>\$134,309</u></u>

# ARENAC COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE F--CAPITAL ASSETS (Continued)

#### Road Commission--Discretely Presented Component Unit

	Account Balances 01/01/04	Additions	Deductions	Account Balances 12/31/04
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 9,200			\$ 9,200
Subtotal	9,200	\$ -	\$ -	9,200
Capital Assets Being Depreciated				
Buildings	373,344			373,344
Road Equipment	2,831,594	246,088		3,077,682
Shop Equipment	102,537	4,000		106,537
Engineers' Equipment	43,447			43,447
Yard and Storage Equipment	137,103			137,103
Office Equipment	73,032	17,328		90,360
Depletable Assets	1,330		707	623
Infrastructure--Roads	-	1,589,368		1,589,368
Infrastructure--Bridges	-	519,413		519,413
Total	3,562,387	2,376,197	707	5,937,877
Less Accumulated Depreciation				
Buildings	309,196	11,314		320,510
Road Equipment	2,348,229	208,205		2,556,434
Shop Equipment	92,285	2,523		94,808
Engineers' Equipment	35,000	1,625		36,625
Yard and Storage Equipment	111,573	5,979		117,552
Office Equipment	63,924	3,277		67,201
Infrastructure--Roads	-	95,160		95,160
Infrastructure--Bridges	-	13,115		13,115
Total	2,960,207	341,198	-	3,301,405
Net Capital Assets Being Depreciated	602,180	2,034,999	707	2,636,472
Total Net Capital Assets	\$ 611,380	\$2,034,999	\$ 707	\$2,645,672

ARENAC COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Drain Commission Discretely Presented Component Unit

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Infrastructure				
1913 Drains	\$ 115,440			\$ 115,440
1933 Drains	1,829,190			1,829,190
1953 Drains	<u>1,692,600</u>	<u>          </u>	<u>          </u>	<u>1,692,600</u>
Subtotal	<u>3,637,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,637,230</u>
Less Accumulated Depreciation for				
Infrastructure				
1913 Drains	115,440			115,440
1933 Drains	1,731,619	24,389		1,756,008
1953 Drains	<u>1,150,968</u>	<u>22,568</u>	<u>          </u>	<u>1,173,536</u>
Subtotal	<u>2,998,027</u>	<u>46,957</u>	<u>-</u>	<u>3,044,984</u>
Net Capital Assets Being Depreciated	<u>639,203</u>	<u>-</u>	<u>46,957</u>	<u>592,246</u>
Drain Commission--Component Unit				
Total Net Capital Assets	<u>\$ 639,203</u>	<u>\$ -</u>	<u>\$ 46,957</u>	<u>\$ 592,246</u>

# ARENAC COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE G--LONG-TERM DEBT

The county issues bonds to provide for the acquisition and construction of major capital improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the county. County contractual agreements and installment purchase agreements are also general obligations of the county. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the county is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	<u>Balance</u> <u>01/01/04</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balance</u> <u>12/31/04</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>				
Municipal lease purchase agreement for courthouse building renovation with capital cost of \$403,695; requires 19 semi-annual payments of \$28,184 beginning November 1998 and ending November 2006 at an interest rate of 6%	\$ 152,561	\$ (47,921)	\$ 104,640	\$ 50,840
Arenac County Building Authority Municipal Securities for the acquisition of new park land, construction of new 911 facilities, and construction for additional administration offices for the county jail with a capital cost of \$905,000; maturing serially through 2021 with amounts ranging from \$25,000 to \$250,000 at an interest rate ranging from 3.8% to 5.0%.	620,000	(35,000)	585,000	35,000
Municipal lease purchase agreement for the acquisition of park maintenance equipment with a capital cost of \$12,960 beginning June 2004 and ending June 2008 at an interest rate of 7.9%.		(2,953) 12,690	9,737	2,155
Accrued Employee Benefits Payable	<u>172,592</u>	<u>(7,516)</u>	<u>165,076</u>	<u>-</u>
Total Governmental Activities	<u>\$ 945,153</u>	<u>\$ (80,700)</u>	<u>\$ 864,453</u>	<u>\$ 87,995</u>

# ARENAC COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE G--LONG-TERM DEBT (Continued)

	<u>Balance</u> <u>01/01/04</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balance</u> <u>12/31/04</u>	<u>Due Within</u> <u>One Year</u>
<u>Component Unit Activities</u>				
<u>Drain Commission</u>				
Village of Twining Sanitary Sewer Drain, original bonds dated October 9, 1989, in the amount of \$532,000 at 6% interest for 23 years.	\$ 372,230	\$ (19,230)	\$ 353,000	\$ 16,000
Bodwin Drainage District, original bond dated December 1, 2004, in the amount of \$210,000 at 3.69% interest for 8 years.		210,000	210,000	
Total Drain Commission	<u>\$ 372,230</u>	<u>\$ 190,770</u>	<u>\$ 563,000</u>	<u>\$ 16,000</u>
<u>Road Commission</u>				
Accrued Employee Benefits Payable	\$ 37,496	\$ 7,403	\$ 44,899	\$ 4,490
Total Road Commission	<u>\$ 37,496</u>	<u>\$ 7,403</u>	<u>\$ 44,899</u>	<u>\$ 4,490</u>
Total Component Unit Activities	<u>\$ 409,726</u>	<u>\$ 198,173</u>	<u>\$ 607,899</u>	<u>\$ 20,490</u>
Total Reporting Entity Activities	<u>\$ 1,354,879</u>	<u>\$ 117,473</u>	<u>\$ 1,472,352</u>	<u>\$ 108,485</u>

The debt service requirements to maturity for the county's debt obligations outstanding at December 31, 2004 are as follows:

### Annual Debt Service Requirements--Governmental Activities

Municipal lease purchase agreement for courthouse building renovation with capital cost of \$403,695; requires 19 semi-annual payments of \$28,184 beginning November 1998 and ending November 2006 at an interest rate of 6%.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual</u> <u>Total</u>
2005	\$ 50,840	\$5,527	\$ 56,367
2006	<u>53,800</u>	<u>2,431</u>	<u>56,231</u>
	<u>\$104,640</u>	<u>\$7,958</u>	<u>\$112,598</u>

# ARENAC COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE G--LONG-TERM DEBT (Continued)

Arenac County Building Authority Municipal Securities, dated October 1, 2001, for the acquisition of new park land, construction of new 911 facilities, and construction for additional administration offices for the county jail with a capital cost of \$905,000; maturing serially through 2021 with amounts ranging from 25,000 to 250,000, at an interest rate ranging from 3.8% to 5.0%.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Total</u>
2005	\$ 35,000	\$ 25,575	\$ 60,575
2006	35,000	24,245	59,245
2007	35,000	22,915	57,915
2008	35,000	21,568	56,568
2009	35,000	20,176	55,176
2010	35,000	18,733	53,733
2011	35,000	17,236	52,236
2012	35,000	15,688	50,688
2013	35,000	14,095	49,095
2014	35,000	12,468	47,468
2015	35,000	10,805	45,805
2016	35,000	9,107	44,107
2017	35,000	7,375	42,375
2018	35,000	5,625	40,625
2019	35,000	3,875	38,875
2020	35,000	2,125	37,125
2021	25,000	625	25,625
	<u>\$585,000</u>	<u>\$232,236</u>	<u>\$817,236</u>

Municipal lease purchase agreement for the acquisition of park maintenance equipment with a capital cost of \$12,960 beginning June 2004 and ending June 2008 at an interest rate of 7.9%.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Total</u>
2005	\$ 2,155	\$ 798	\$ 2,953
2006	2,331	621	2,952
2007	2,522	430	2,952
2008	2,729	224	2,953
	<u>\$ 9,737</u>	<u>\$2,073</u>	<u>\$11,810</u>



# ARENAC COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE G--LONG-TERM DEBT (Continued)

#### Drain (Component Unit)

Village of Twining Sanitary Sewer Drain--original bond dated October 9, 1989 in the amount of \$532,000 at 6.0% interest for 30 years.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Total</u>
2005	\$ 16,000	\$ 20,700	\$ 36,700
2006	17,000	19,710	36,710
2007	18,000	18,120	36,120
2008	20,000	17,520	37,520
2009	20,000	16,320	36,320
2010	22,000	15,120	37,120
2011	23,000	13,830	36,830
2012	24,000	11,580	35,580
2013	26,000	10,800	36,800
2014	27,000	9,210	36,210
2015	29,000	7,530	36,530
2016	31,000	5,730	36,730
2017	30,000	3,900	33,900
2018	31,000	2,070	33,070
2019	19,000	570	19,570
	<u>\$353,000</u>	<u>\$172,710</u>	<u>\$525,710</u>

Bodwin Drainage District, original bond dated December 1, 2004 in the amount of \$210,000 at 3.69% interest for 8 years.

<u>Year</u>	<u>Principal</u>	<u>1-Jun Interest</u>	<u>1-Dec Interest</u>	<u>Annual Total</u>
2005		\$ 3,874	\$ 3,875	\$ 7,749
2006	\$ 30,000	3,875	3,874	37,749
2007	30,000	3,321	3,321	36,642
2008	30,000	2,767	2,768	35,535
2009	30,000	2,214	2,214	34,428
2010	30,000	1,661	1,660	33,321
2011	30,000	1,107	1,107	32,214
2012	30,000	553	554	31,107
	<u>\$210,000</u>	<u>\$19,372</u>	<u>\$19,373</u>	<u>\$248,745</u>

# ARENAC COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--COMPENSATED ABSENCES

#### Accrued Vacation and Sick Leave Payable

The county and Road Commission (component unit) have accrued liabilities to their employees for accumulated vacation and vested sick leave benefits as of December 31, 2004, as follows:

	<u>Sick/ Vacation</u>
Vested Employee Benefits Payable--Primary Government	
General Government	
County General Employees	\$ 53,491
District Court	18,478
Circuit Court	19,390
Public Safety	
Sheriff Department Employees	59,873
E-911 Office	<u>13,844</u>
Total Vested Employee Benefits Payable	
Primary Government	165,076
Vested Employee Benefits Payable--Component Unit	
Road Commission Employees	<u>44,899</u>
Total Vested Employee Benefits Payable	
Reporting Entity	<u><u>\$209,975</u></u>

The above amounts for the primary government are reported on the Statement of Net Assets as a noncurrent liability in the governmental activities column.

#### VACATION BENEFIT POLICIES--PRIMARY GOVERNMENT

##### County General, District Court, Circuit Court, Sheriff Department and E-911 Office Employees

The county's employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service. Vacation benefits earned are credited to each employee on a bi-weekly basis. The county has established a formal policy regarding a maximum authorized accumulation of vacation hours per individual union agreement.

#### SICK LEAVE BENEFIT POLICIES--PRIMARY GOVERNMENT

##### County General, District Court, Circuit Court, Sheriff Department and E-911 Office Employees

The county's employment policies provide for sick leave benefits to be earned in varying amounts depending on the employee's hours worked.

## ARENAC COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE H--COMPENSATED ABSENCES (Continued)

##### Compensated Absences--Road Commission Employees

Vacation and sick leave is reported in the Road Commission General Fund only for matured amounts, for example, as a result of employee resignations and retirements. The remaining portion is recorded as an adjustment to the fund financial statements which results in the government-wide statements including both short and long-term portions of this liability. The Road Commission allows employees to accumulate vacation and sick leave in varying amounts, depending on time of service and other factors.

#### NOTE I--EMPLOYEES' RETIREMENT PLANS

##### Description of Plan and Plan Assets

Arenac County and the Arenac County Road Commission (component unit) are in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS) administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation. The most recent period for which actuarial data was available was for the fiscal period ended December 31, 2003.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851, MCL 46.12(a)), as amended, State of Michigan. MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

## ARENAC COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE I--EMPLOYEES' RETIREMENT PLANS (Continued)

##### Funding Policy--Primary Government

The obligation to contribute to and maintain the system for these employees was established by negotiation with the county's competitive bargaining unit and personnel policy, which requires employees to contribute 3% of their covered payroll, except for the District Court Steelworkers union employees, who are not required to contribute. The county has six different groups in the plan: General--Other, Sheriff, Steelworkers Local; District Court--Other, District Court Steelworkers, Elected County Officials with the pension contribution rates at 9.48 %, 10.67%, 8.27%, 0%, 7.75% and 16.97% of covered payroll at December 31, 2003, respectively.

##### Funding Policy--Road Commission

Road Commission employees are not required to contribute a percentage of their annual covered payroll. The contribution requirements of the Road Commission are established and may be amended by the retirement board of MERS. The contribution requirements of plan members are established and may be amended by the Road Commission, depending on the MERS contribution program adopted by the Road Commission. The Road Commission makes annual contributions to the pension plan equal to the amount required by State statutes.

##### Annual Pension Cost

For the calendar year ended December 31, 2004, the county's annual pension cost was \$251,297 and the Road Commission's annual pension cost was \$179,624 which was equal to the county and Road Commission's required and actual contributions. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001. The county employees contributed \$69,289 in accordance with the union and personnel agreements. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

# ARENAC COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE I--EMPLOYEES' RETIREMENT PLANS (Continued)

#### Three Year Trend Information for GASB Statement No. 27

Year Ended December 31	Annual Pension Cost (APC)		Percentage of APC Contributed		Net Pension Obligation	
	County	Road	County	Road	County	Road
2001	\$261,615	\$120,954	100%	100%	\$0	\$0
2002	271,724	124,597	100%	100%	\$0	\$0
2003	320,986	179,624	100%	100%	\$0	\$0

#### Required Supplementary Information for GASB Statement No. 27

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
2001						
General	\$4,147,785	\$5,585,255	\$ 1,437,470	74%	\$2,035,933	71%
Road	2,544,995	4,224,433	1,679,438	60%	853,236	197%
2002						
General	4,294,146	6,265,452	1,971,306	69%	2,301,544	86%
Road	2,471,245	4,389,779	1,918,534	56%	909,258	211%
2003						
General	4,677,240	6,791,345	2,114,105	69%	2,389,365	88%
Road	2,525,987	4,626,398	2,100,411	55%	941,888	223%

### NOTE J--RISK MANAGEMENT

#### Primary Government

The county is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees.

The county is self-insured for comprehensive liability, motor vehicle physical damage and comprehensive, property and crime coverage through the Michigan Municipal Risk Management Authority (the Authority). All other types of risk of loss are covered through commercial insurance.

All liability claims up to \$75,000 per claim are paid from the net contribution account of the county held by the authority. In addition, after meeting certain deductible requirements, all vehicle claims up to \$15,000 per vehicle, up to \$30,000 per occurrence and property, and crime claims up to \$10,000 are also paid from the county's contribution account. The authority is responsible for any claims in excess of the above amounts up to a maximum limit of \$10,000,000.

## ARENAC COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE J--RISK MANAGEMENT (Continued)

The authority may make additional assessments to its member participants based upon the results of insurance pool operations.

Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

#### Road Commission (Component Unit)

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool (Pool). The insurance coverage includes, but is not limited to, general liability, auto, property insurance, stop loss protection, errors and omissions, trunkline liability and an umbrella policy. The amount the Road Commission pays annually is determined by the administrator of the Pool and is based on miles of roads, population and prior claim history of the Road Commission. In addition to premiums paid, the Road Commission is responsible for the first \$1,000 of legal expenses incurred per occasion. All other risk is transferred to the pool.

#### NOTE K--CONTINGENT LIABILITIES

#### Primary Government

The county, in connection with the normal conduct of its affairs, is involved in various claims, judgments and litigation. The county's insurance carrier estimates that the potential claims against the county, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the county.

#### Road Commission (Component Unit)

The Road Commission has been named as a defendant in various litigation involving pending lawsuits and notices of intent to file suit.

Management and legal counsel of the Road Commission expect no material losses in excess of insurances should an unfavorable outcome prevail. Accordingly, no provision for any loss has been made in the financial statements.

## ARENAC COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE L--DEFERRED COMPENSATION PLAN

##### Primary Government

Arenac County offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. Effective January 1, 1997, the assets of the plan were held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian for the exclusive benefit of the participants and beneficiaries of the Section 457 plan and the assets may not be diverted to any other use. The administrator (PEBSCO) is an agent of the employer. The administrator provides direction to the custodian, from time to time, regarding the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the county's financial statements.

#### NOTE M--FEDERAL AWARDS-ROAD COMMISSION (COMPONENT UNIT)

The Road Commission received \$781,708 of Federal assistance that was passed through and administered by the Michigan Department of Transportation. The "pass-through" Federal assistance will be included in the State's single audit procedures and was not considered during the determination of single audit requirements of the Road Commission.

#### NOTE N--CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2004, Arenac County and its component units implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenues, which establishes standards for recording nonexchange transactions on the accrual basis of accounting.

Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires a significant change in the financial reporting model used by local governments, eliminating contributed capital accounts and utilizing the full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have a significant effect on the financial position or results of operations.

# ARENAC COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE N--CHANGE IN ACCOUNTING PRINCIPLE (Continued)

Statement No. 38, Certain Financial Statement Note Disclosures, which requires certain note disclosures when implementing GASB Statement No. 34.

### NOTE O--RESTATEMENTS--ROAD COMMISSION

As of and for the year ended December 31, 2004, the Road Commission implemented State of Michigan Numbered Letter 2002-5 *Michigan Transportation Funds Revenue Recognition*.

Implementation of the numbered letter had the following effect on the beginning fund balance:

Beginning Fund Balance, as Previously Reported	\$ 1,021,555
Adjustment to Accrue December MTF	<u>200,522</u>
Beginning Fund Balance, as Restated	<u><u>\$ 1,222,077</u></u>

In addition, as of and for the year ended December 31, 2004, the Road Commission implemented the following Governmental Accounting Standards Board pronouncements:

As a result of implementing the GASB pronouncements described in Note S above, for the fiscal year ended December 31, 2004, the following restatements were made to the beginning net asset accounts.

*Government-wide financial statements.* Beginning net assets for governmental activities was determined as follows:

Fund Balance as of December 31, 2003, as Restated	\$ 1,222,077
Add: Governmental Capital Assets, including General Fixed Assets, as of December 31, 2003	3,571,586
Deduct: Accumulated Depreciation on Capital Assets as of December 31, 2003	(2,960,207)
Deduct: Long-Term Portion of Compensated Absences Payable as of December 31, 2003	<u>(37,496)</u>
Governmental Net Assets, Restated, as of January 1, 2004	<u><u>\$ 1,795,960</u></u>



**ARENAC COUNTY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**Year Ended December 31, 2004**

**EXHIBIT K**

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
Fund Balance--January 1, 2004	\$ 30,000	\$ 60,250	\$ 169,501	\$ 109,251
Resources (Inflows)				
Property Taxes	2,155,540	2,267,782	# 2,266,105	(1,677)
Licenses and Permits	10,000	13,135	11,346	(1,789)
Federal Grants	126,900	88,600	83,943	(4,657)
State Grants	852,613	780,518	764,038	(16,480)
Contributions From Local Units of Government	68,687	73,487	72,332	(1,155)
Charges for Services	803,000	798,129	774,450	(23,679)
Fines and Forfeitures	20,000	20,000	20,387	387
Interest and Rentals	47,500	27,800	27,862	62
Other Revenue	169,530	168,330	169,494	1,164
Transfers From Other Funds	116,368	317,423	307,241	(10,182)
Amounts Available for Appropriation	4,400,138	4,615,454	4,666,699	51,245
Charges to Appropriations (Outflows)				
Current				
General Government	2,046,411	1,926,800	1,893,240	33,560
Public Safety	908,426	965,699	959,794	5,905
Public Works	10,830	10,830	10,828	2
Health and Welfare	292,352	312,717	310,685	2,032
Community and Economic Development	4,519	8,744	8,631	113
Other	906,600	963,769	956,895	6,874
Capital Outlay	-	101,228	101,228	-
Debt Service				
Principal	-	47,921	47,921	-
Interest	-	8,446	8,446	-
Transfers to Other Funds	231,000	269,300	269,300	-
Total Charges to Appropriations	4,400,138	4,615,454	4,566,968	48,486
Fund Balance--December 31, 2004	\$ -	\$ -	\$ 99,731	\$ 99,731

**ARENAC COUNTY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**911 SERVICE--MAJOR SPECIAL REVENUE FUND**  
**Year Ended December 31, 2004**

**EXHIBIT L**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 325,000	\$ 329,843	\$ 330,009	\$ 166
State Grants	78,700	78,700	87,848	9,148
Charges for Services	75,200	78,897	84,409	5,512
Interest and Rentals	-	-	495	495
Other Revenue	-	60	55	(5)
Total Revenues	478,900	487,500	502,816	15,316
Expenditures				
Current				
Public Safety	414,052	429,029	411,318	17,711
Capital Outlay	8,000	8,000	-	8,000
Total Expenditures	422,052	437,029	411,318	25,711
Excess of Revenues Over (Under) Expenditures	56,848	50,471	91,498	41,027
Other Financing Sources (Uses)				
Operating Transfers (Out)--Primary Government	(58,531)	(58,531)	(58,530)	1
Total Other Financing Sources (Uses)	(58,531)	(58,531)	(58,530)	1
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,683)	(8,060)	32,968	41,028
Fund Balance--January 1, 2004	184,000	356,143	356,143	-
Fund Balance--December 31, 2004	\$ 182,317	\$ 348,083	\$ 389,111	\$ 41,028

**ARENAC COUNTY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**HOUSING COMMISSION--MAJOR SPECIAL REVENUE FUND**  
**Year Ended December 31, 2004**

**EXHIBIT M**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Federal Grants	\$ 122,099	\$ 190,391	\$ 163,781	\$ (26,610)
State Grants	6,000	41,255	42,439	1,184
Charges for Services	41,120	46,127	21,705	(24,422)
Total Revenues	169,219	277,773	227,925	(49,848)
Expenditures				
Current				
Community and Economic Development	169,219	247,679	247,140	539
Total Expenditures	169,219	247,679	247,140	539
Excess of Revenues Over (Under) Expenditures	-	30,094	(19,215)	(49,309)
Fund Balance--January 1, 2004	104,000	104,000	101,461	(2,539)
Fund Balance--December 31, 2004	\$ 104,000	\$ 134,094	\$ 82,246	\$ (51,848)

**ARENAC COUNTY  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
December 31, 2004**

**EXHIBIT N**

	SPECIAL REVENUE FUNDS								
	Park	Ambulance	Homeland Security	Friend of the Court	Circuit Court Counseling	Remonumentation	Building Department	Register of Deeds Automation	Correction Officer Training
<b><u>ASSETS</u></b>									
Cash	\$ 12,475		\$ 550	\$ 21,615	\$ 26,141	\$ 13,686	\$ 41,749	\$ 303	\$ 4,974
Investments		\$ 262,415							
Receivables									
Taxes		264,200							
Accounts									
Due From Other Counties									
Due From State of Michigan			41,064	45,945					
Due From Other Funds--Primary Government				2,500					
Total Assets	\$ 12,475	\$ 526,615	\$ 41,614	\$ 70,060	\$ 26,141	\$ 13,686	\$ 41,749	\$ 303	\$ 4,974
<b><u>LIABILITIES AND FUND BALANCES</u></b>									
Liabilities									
Accounts Payable	\$ 46			\$ 12,675			\$ 619		
Due to Other Funds--Primary Government				55,000					
Due to State of Michigan									
Accrued Wages Payable				2,292			938		
Advances From Other Funds									
Primary Government									
Deferred Revenue--Taxes		\$ 264,200							
Deferred Revenue--Other									
Total Liabilities	46	264,200	\$ -	69,967	\$ -	\$ -	1,557	\$ -	\$ -
Fund Balances									
Reserved for Capital Projects									
Reserved for FEMA Grants			41,614						
Unreserved--Undesignated	12,429	262,415		93	26,141	13,686	40,192	303	4,974
Total Fund Balances	12,429	262,415	41,614	93	26,141	13,686	40,192	303	4,974
Total Liabilities and Fund Balances	\$ 12,475	\$ 526,615	\$ 41,614	\$ 70,060	\$ 26,141	\$ 13,686	\$ 41,749	\$ 303	\$ 4,974

**ARENAC COUNTY  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
December 31, 2004**

**EXHIBIT N  
(CONTINUED)**

	SPECIAL REVENUE FUNDS							
	Drug Law Enforcement	Road Patrol Millage	Law Library	Senior Citizen Millage	Sheriff Department Donations	Strong Family Safe Children	Revenue Sharing Reserve	Family Court Juvenile
<b><u>ASSETS</u></b>								
Cash	\$ 2,796	\$ 23,166	\$ 38	\$ 318	\$ 276	\$ 775		\$ 139
Investments								
Receivables								
Taxes		424,268		222,000			\$ 594,399	
Accounts			360					
Due From Other Counties			2,800					
Due From State of Michigan								3,710
Due From Other Funds--Primary Government								
Total Assets	\$ 2,796	\$ 447,434	\$ 3,198	\$ 222,318	\$ 276	\$ 775	\$ 594,399	\$ 3,849
<b><u>LIABILITIES AND FUND BALANCES</u></b>								
Liabilities								
Accounts Payable		\$ 2,770	\$ 245					
Due to Other Funds--Primary Government								
Due to State of Michigan								
Accrued Wages Payable		8,433						
Advances From Other Funds								
Primary Government								\$ 3,000
Deferred Revenue--Taxes		424,268		\$ 222,000				
Deferred Revenue--Other						\$ 775		
Total Liabilities	\$ -	435,471	245	222,000	\$ -	775	\$ -	3,000
Fund Balances								
Reserved for Capital Projects								
Reserved for FEMA Grants								
Unreserved--Undesignated	2,796	11,963	2,953	318	276	-	594,399	849
Total Fund Balances	2,796	11,963	2,953	318	276	-	594,399	849
Total Liabilities and Fund Balances	\$ 2,796	\$ 447,434	\$ 3,198	\$ 222,318	\$ 276	\$ 775	\$ 594,399	\$ 3,849

**ARENAC COUNTY  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
December 31, 2004**

**EXHIBIT N  
(CONTINUED)**

	<b>SPECIAL REVENUE FUNDS</b>					<b>SERVICE SERVICE FUND</b>	<b>CAPITAL PROJECTS FUND</b>	
	Social Welfare	Child Care Probate	Soldiers & Sailors Relief	Veterans Trust	Animal Welfare	Building Authority Debt	Building Authority Construction	Total
<b><u>ASSETS</u></b>								
Cash	\$ 5,848	\$ 38,627	\$ 1,468	\$ 830	\$ 2,904		\$ 33,372	\$ 232,050
Investments								262,415
Receivables								
Taxes								1,504,867
Accounts		846						1,206
Due From Other Counties								2,800
Due From State of Michigan							96,950	187,669
Due From Other Funds--Primary Government		1,000						3,500
Total Assets	\$ 5,848	\$ 40,473	\$ 1,468	\$ 830	\$ 2,904	\$ -	\$ 130,322	\$ 2,194,507
<b><u>LIABILITIES AND FUND BALANCES</u></b>								
Liabilities								
Accounts Payable	\$ 104	\$ 7,650	\$ 347				\$ 47,592	\$ 72,048
Due to Other Funds--Primary Government								55,000
Due to State of Michigan		32,452						32,452
Accrued Wages Payable								11,663
Advances From Other Funds								
Primary Government								3,000
Deferred Revenue--Taxes								910,468
Deferred Revenue--Other								775
Total Liabilities	104	40,102	347	\$ -	\$ -	\$ -	47,592	1,085,406
Fund Balances								
Reserved for Capital Projects							82,730	82,730
Reserved for FEMA Grants								41,614
Unreserved--Undesignated	5,744	371	1,121	830	2,904			984,757
Total Fund Balances	5,744	371	1,121	830	2,904	-	82,730	1,109,101
Total Liabilities and Fund Balances	\$ 5,848	\$ 40,473	\$ 1,468	\$ 830	\$ 2,904	\$ -	\$ 130,322	\$ 2,194,507

**ARENAC COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

**EXHIBIT O**

	<b>SPECIAL REVENUE FUNDS</b>								
	Park	Ambulance	Homeland Security	Friend of the Court	Circuit Court Counseling	Remonumentation	Building Department	Register of Deeds Automation	Correction Officer Training
Revenues									
Taxes		\$262,593							
Licenses and Permits					\$ 2,600		\$158,774		
Federal Grants			\$ 87,752	\$150,088					
State Grants				3,176		\$34,911			
Charges for Services	\$ 32,677			18,228				\$ 29,315	\$ 4,974
Fines and Forfeits									
Other	8,902						325		
Total Revenues	41,579	262,593	87,752	171,492	2,600	34,911	159,099	29,315	4,974
Expenditures									
Current									
General Government				188,093	1,500	26,849		17,682	
Public Safety			110,345				156,471		
Health and Welfare		247,009							
Recreation and Cultural	43,933								
Other									
Capital Outlay	12,690							26,390	
Debt Service									
Principal	2,953								
Interest									
Total Expenditures	59,576	247,009	110,345	188,093	1,500	26,849	156,471	44,072	-
Excess of Revenues Over (Under) Expenditures	(17,997)	15,584	(22,593)	(16,601)	1,100	8,062	2,628	(14,757)	4,974
Other Financing Sources (Uses)									
Operating Transfers In--Primary Government			51,000	2,500				9,000	
Installment Purchase Proceeds	12,690								
Total Other Financing Sources (Uses)	12,690	-	51,000	2,500	-	-	-	9,000	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(5,307)	15,584	28,407	(14,101)	1,100	8,062	2,628	(5,757)	4,974
Fund Balance--January 1, 2004	17,736	246,831	13,207	14,194	25,041	5,624	37,564	6,060	-
Fund Balance--December 31, 2004	\$12,429	\$262,415	\$ 41,614	\$ 93	\$ 26,141	\$13,686	\$ 40,192	\$ 303	\$ 4,974

**ARENAC COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

**EXHIBIT O**  
**(CONTINUED)**

	<b>SPECIAL REVENUE FUNDS</b>							
	Drug Law Enforcement	Road Patrol Millage	Law Library	Senior Citizen Millage	Sheriff Department Donations	Strong Family Safe Children	Revenue Sharing Reserve	Family Court Juvenile
Revenues								
Taxes		\$ 412,436		\$203,091			\$594,399	
Licenses and Permits								
Federal Grants						\$18,093		
State Grants								\$16,630
Charges for Services								
Fines and Forfeits	\$ 304		\$ 2,500					
Other		6,593			\$ 79			
Total Revenues	304	419,029	2,500	203,091	79	18,093	594,399	16,630
Expenditures								
Current								
General Government			7,723					
Public Safety		393,947						
Health and Welfare				210,899		18,093		16,630
Recreation and Cultural								
Other								
Capital Outlay		19,711						
Debt Service								
Principal								
Interest								
Total Expenditures	-	413,658	7,723	210,899	-	18,093	-	16,630
Excess of Revenues Over (Under) Expenditures	304	5,371	(5,223)	(7,808)	79	-	594,399	-
Other Financing Sources (Uses)								
Operating Transfers In--Primary Government			7,300	7,000				
Installment Purchase Proceeds								
Total Other Financing Sources (Uses)	-	-	7,300	7,000	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	304	5,371	2,077	(808)	79	-	594,399	-
Fund Balance--January 1, 2004	2,492	6,592	876	1,126	197	-	-	849
Fund Balance--December 31, 2004	\$ 2,796	\$ 11,963	\$ 2,953	\$ 318	\$ 276	\$ -	\$594,399	\$ 849



**ARENAC COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

**EXHIBIT O**  
**(CONTINUED)**

	<b>SPECIAL REVENUE FUNDS</b>					<b>DEBT SERVICE FUND</b>	<b>CAPITAL PROJECTS FUND</b>	
	Social Welfare	Child Care Probate	Soldiers & Sailors Relief	Veterans Trust	Animal Welfare	Building Authority Debt	Building Authority Construction	Total
Revenues								
Taxes								\$1,472,519
Licenses and Permits								161,374
Federal Grants								255,933
State Grants		\$ 19,966		\$ 836			\$ 155,098	230,617
Charges for Services							6,146	91,340
Fines and Forfeits								2,804
Other		14,138			\$ 1,551		5,000	36,588
Total Revenues	\$ -	34,104	\$ -	836	1,551	\$ -	166,244	2,251,175
Expenditures								
Current								
General Government								241,847
Public Safety								660,763
Health and Welfare	3,664	273,074	9,659	435	702			780,165
Recreation and Cultural								43,933
Other							99	99
Capital Outlay							228,135	286,926
Debt Service								
Principal						35,000		37,953
Interest						26,905		26,905
Total Expenditures	3,664	273,074	9,659	435	702	61,905	228,234	2,078,591
Excess of Revenues Over (Under) Expenditures	(3,664)	(238,970)	(9,659)	401	849	(61,905)	(61,990)	172,584
Other Financing Sources (Uses)								
Operating Transfers In--Primary Government	4,000	236,000	8,000			61,905	83,007	469,712
Installment Purchase Proceeds								12,690
Total Other Financing Sources (Uses)	4,000	236,000	8,000	-	-	61,905	83,007	482,402
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	336	(2,970)	(1,659)	401	849	-	21,017	654,986
Fund Balance--January 1, 2004	5,408	3,341	2,780	429	2,055	-	61,713	454,115
Fund Balance--December 31, 2004	\$ 5,744	\$ 371	\$ 1,121	\$ 830	\$ 2,904	\$ -	\$ 82,730	\$1,109,101

**ARENAC COUNTY  
COMBINING BALANCE SHEET  
TRUST AND AGENCY FUNDS  
December 31, 2004**

**EXHIBIT P**

	Trust and Agency	District Court Trust	Library (Penal Fines)	Total
<b><u>ASSETS</u></b>				
Cash	\$ 428,976	\$ 36,395	\$ 70,091	\$ 535,462
Total Assets	\$ 428,976	\$ 36,395	\$ 70,091	\$ 535,462
<b><u>LIABILITIES</u></b>				
Due to State of Michigan	\$ 42,450			\$ 42,450
Undistributed Tax Collections	305,385			305,385
Undistributed Penal Fines			\$ 70,091	70,091
Other Liabilities	81,141	\$ 36,395		117,536
Total Liabilities	\$ 428,976	\$ 36,395	\$ 70,091	\$ 535,462

**ARENAC COUNTY**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**For the Year Ended December 31, 2004**

**EXHIBIT Q**

	Balance 01/01/04	Additions	Deductions	Balance 12/31/04
<b><u>TRUST AND AGENCY FUND</u></b>				
Assets				
Cash	\$ 310,105	\$ 8,804,219	\$ 8,685,348	\$ 428,976
Due From Other Funds	5,892	-	5,892	-
Total Assets	\$ 315,997	\$ 8,804,219	\$ 8,691,240	\$ 428,976
Liabilities				
Due to State of Michigan	\$ 39,669	\$ 1,351,469	\$ 1,348,688	\$ 42,450
Undistributed Tax Collections	192,620	6,096,113	5,983,348	305,385
Other Liabilities	83,708	9,772,147	9,774,714	81,141
Total Liabilities	\$ 315,997	\$ 17,219,729	\$ 17,106,750	\$ 428,976
<b><u>DISTRICT COURT TRUST FUND</u></b>				
Assets				
Cash	\$ 25,564	\$ 205,473	\$ 194,642	\$ 36,395
Liabilities				
Court Items Payable	\$ 25,564	\$ 205,473	\$ 194,642	\$ 36,395
<b><u>LIBRARY (PENAL FINES) FUND</u></b>				
Assets				
Cash	\$ 87,739	\$ 230,474	\$ 248,122	\$ 70,091
Liabilities				
Undistributed Penal Fines	\$ 87,739	\$ 230,474	\$ 248,122	\$ 70,091

**ARENAC COUNTY**  
**STATEMENT OF REVENUES AND OTHER SOURCES--BY SOURCE**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Year Ended December 31, 2004**

**EXHIBIT R**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Taxes</b>				
Current Property Taxes	\$ 2,120,349	\$ 2,103,349	\$ 2,102,622	\$ (727)
Current Property Taxes--Revenue Sharing Reserve	-	128,935	128,935	-
Delinquent Personal Property Tax	8,330	8,330	7,322	(1,008)
Trailer Taxes	500	807	972	165
Swamp Lands Tax	26,361	26,361	26,254	(107)
<b>Total Taxes</b>	<b>2,155,540</b>	<b>2,267,782</b>	<b>2,266,105</b>	<b>(1,677)</b>
<b>Licenses and Permits</b>				
Clerk Licenses and Permits	1,500	4,635	4,678	43
Dog Licenses	7,500	7,500	6,152	(1,348)
Sheriff Licenses and Permits	1,000	1,000	516	(484)
<b>Total Licenses and Permits</b>	<b>10,000</b>	<b>13,135</b>	<b>11,346</b>	<b>(1,789)</b>
<b>Federal Grants</b>				
FEMA	7,500	7,500	3,212	(4,288)
Juvenile Accountability Block Grant	22,000	-	-	-
School Liaison Officer	62,300	37,300	36,918	(382)
Prosecuting Attorney--Cooperative Reimbursement Program	35,100	43,800	43,813	13
<b>Total Federal Grants</b>	<b>126,900</b>	<b>88,600</b>	<b>83,943</b>	<b>(4,657)</b>
<b>State Grants</b>				
Liquor License Fees	6,100	6,100	5,846	(254)
Probate Judges' Salary	139,100	139,100	139,919	819
Family Court State Juvenile Supplement	28,000	28,000	27,317	(683)
Circuit Judges' Supplement	45,724	45,724	45,724	-
District Judges' Supplement	45,724	45,724	45,724	-
District Court Caseflow Assistance	7,000	7,000	4,066	(2,934)
Court Funding	116,000	125,884	125,884	-
Crime Victims' Assistance	26,000	26,000	18,482	(7,518)
Secondary Road Patrol Program	58,795	58,795	56,789	(2,006)
Marine Safety Program	629	629	384	(245)
Act 302 Training	1,500	1,500	-	(1,500)
Driver License Restitution	1,500	1,500	302	(1,198)
Convention Facility Liquor Tax	63,427	63,848	63,848	-
State Cigarette Tax	8,331	9,931	9,931	-
State Revenue Sharing	304,783	220,783	219,822	(961)
<b>Total State Grants</b>	<b>852,613</b>	<b>780,518</b>	<b>764,038</b>	<b>(16,480)</b>
<b>Contributions From Local Units of Government</b>				
School Liaison Grant Match	12,000	12,000	10,802	(1,198)
City Road Patrol Contract	56,687	61,487	61,530	43
<b>Total Contributions From Local Units of Government</b>	<b>68,687</b>	<b>73,487</b>	<b>72,332</b>	<b>(1,155)</b>
<b>Charges for Services</b>				
Circuit Court Costs	18,000	21,600	21,684	84
District Court Costs	400,000	366,000	365,257	(743)
District Court Civil Fees	15,000	26,125	26,224	99
Probate Court Services	25,000	25,000	24,201	(799)
Clerk Court Fees	10,000	10,000	8,865	(1,135)
Court Ordered Prosecution Fees	5,000	11,719	11,747	28

**ARENAC COUNTY**  
**STATEMENT OF REVENUES AND OTHER SOURCES--BY SOURCE**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Year Ended December 31, 2004**

**EXHIBIT R**  
**(CONTINUED)**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Charges for Services (Continued)				
Treasurer Services	1,800	3,600	3,087	(513)
Clerk Services	14,000	16,000	16,029	29
Register of Deeds Services	140,000	140,000	133,989	(6,011)
Sheriff Services	6,500	7,546	2,378	(5,168)
Paper Service Fees	2,000	4,819	4,897	78
Fees for Sheriff Services	3,000	4,800	4,664	(136)
Boat Inspections Fees	3,500	3,500	3,010	(490)
Fingerprint Services	1,500	2,310	2,565	255
ACL Screening	10,000	10,000	6,315	(3,685)
Record Copying	12,000	13,000	13,719	719
Inmates Room and Board	-	2,010	2,600	590
Inmate Housing Fees	10,000	10,000	9,205	(795)
Inmate Work Release	15,000	15,000	11,420	(3,580)
Social Security Incentive Jail	2,000	2,000	1,868	(132)
Diverted Felon Reimbursements	10,000	-	-	-
Animal Control Services	26,000	26,000	26,329	329
Guardian Homemaker Services	30,000	34,400	34,412	12
Sale of County Properties	1,000	1,000	-	(1,000)
Equalization Department Services	39,500	39,500	39,300	(200)
Miscellaneous Services	2,200	2,200	685	(1,515)
Total Charges for Services	330,000	337,685	316,472	(21,213)
Fines and Forfeitures				
District Court Fines and Forfeitures	20,000	20,000	20,387	387
Total Fines and Forfeitures	20,000	20,000	20,387	387
Interest and Rents				
Interest Earned	40,000	20,300	20,362	62
Rents	7,500	7,500	7,500	-
Total Interest and Rents	47,500	27,800	27,862	62
Other Revenue				
Reimbursements				
Telephone	14,000	16,500	16,889	389
Circuit Court Wages and Fringe Benefits				
Alcona County	31,450	33,150	33,226	76
Iosco County	84,525	86,325	86,388	63
Oscoda County	25,554	27,354	27,361	7
Insurance	11,000	2,000	1,247	(753)
Miscellaneous	3,001	3,001	4,383	1,382
Total Other Revenue	169,530	168,330	169,494	1,164
Total Revenues	4,253,770	4,237,781	4,189,957	(47,824)
Other Sources				
Operating Transfers In From (Primary Government)				
Delinquent Tax Revolving Fund	116,368	317,423	307,241	(10,182)
Total Other Sources	116,368	317,423	307,241	(10,182)
Total Revenue and Other Sources	\$ 4,370,138	\$ 4,555,204	\$ 4,497,198	\$ (58,006)

**ARENAC COUNTY**  
**STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Year Ended December 31, 2004**

**EXHIBIT S**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
General Government				
Board of Commissioners	\$ 94,750	\$ 87,750	\$ 87,610	\$ 140
Circuit Court--Operating	237,513	217,013	215,519	1,494
Circuit Court--Shared 4 Way Costs	158,456	149,956	149,345	611
District Court	273,970	273,165	270,881	2,284
Friend of the Court	1,000	1,020	1,019	1
Public Guardian	54,295	53,795	53,316	479
Jury Board	3,900	3,900	3,008	892
Probate Court	174,875	174,875	174,760	115
Adult Probation	1,300	1,300	641	659
Elections	22,900	14,400	12,682	1,718
Clerk	131,516	130,516	129,928	588
Equalization Department	111,041	100,041	98,209	1,832
Victims Rights Advocate	22,146	21,296	19,490	1,806
Prosecuting Attorney	100,050	106,269	105,854	415
Prosecuting Attorney--Cooperative Reimbursement Program	50,764	51,764	51,229	535
Register of Deeds	68,173	62,173	61,686	487
Treasurer	97,338	98,613	98,251	362
Cooperative Extension Service	59,828	58,928	58,898	30
Building Authority	275	275	275	-
Courthouse and Grounds	172,657	177,091	176,325	766
Transportation	2,000	2,000	705	1,295
Drain Commissioner	41,357	40,607	39,275	1,332
Professional Services	26,465	26,465	22,445	4,020
Tax Allocation Board	250	250	189	61
Duplication	7,500	12,500	10,381	2,119
Microfilm	1,100	1,100	208	892
Telephone Lease	66,992	10,625	10,624	1
Computer Operations	64,000	49,113	40,487	8,626
Total General Government	2,046,411	1,926,800	1,893,240	33,560
Public Safety				
Sheriff	96,564	95,429	93,282	2,147
Secondary Road Patrol	40,282	40,782	40,249	533
City Car--Standish	41,982	44,482	44,092	390
School Liaison Officer	57,849	60,349	59,930	419
Emergency Services Program	15,330	15,330	14,338	992
Marine Safety Program	2,304	4,191	3,496	695
Jail	600,235	645,025	644,332	693
Animal Control	53,880	60,111	60,075	36
Total Public Safety	908,426	965,699	959,794	5,905
Public Works				
Drains-at-Large	10,830	10,830	10,828	2
Total Public Works	10,830	10,830	10,828	2

**ARENAC COUNTY**  
**STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Year Ended December 31, 2004**

**EXHIBIT S**  
**(CONTINUED)**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Health and Welfare				
District Health Department	125,425	126,525	126,512	13
Contagious Disease	400	400	196	204
Substance Abuse Agency	31,715	31,924	31,924	-
Medical Examiner	21,000	34,056	33,861	195
Community Mental Health Department	104,812	104,812	104,812	-
Veterans Burials	9,000	15,000	13,380	1,620
Total Health and Welfare	292,352	312,717	310,685	2,032
Community and Economic Development				
Planning Commission	650	650	538	112
Housing Commission	700	4,925	4,924	1
Economic Development	3,169	3,169	3,169	-
Total Community and Economic Development	4,519	8,744	8,631	113
Other				
Indirect Cost Study	-	9,282	9,282	-
Employee Fringe Benefits--Insurance	368,000	328,700	328,533	167
Retirement	200,000	233,000	232,078	922
Social Security--County Share	145,000	135,000	134,982	18
Insurance and Bonds	179,600	222,878	221,535	1,343
Sick and Vacation Payoff	12,000	11,850	8,735	3,115
Miscellaneous	2,000	23,059	21,750	1,309
Total Other	906,600	963,769	956,895	6,874
Capital Outlay				
Land	-	101,228	101,228	-
Total Capital Outlay	-	101,228	101,228	-
Debt Service				
Principal	-	47,921	47,921	-
Interest	-	8,446	8,446	-
Total Debt Service	-	56,367	56,367	-
Total Expenditures	4,169,138	4,346,154	4,297,668	48,486
Other Uses				
Operating Transfers (Out)--Primary Government				
Law Library	4,000	7,300	7,300	-
Child Care Probate	200,000	235,000	235,000	-
Social Welfare	4,000	4,000	4,000	-
Soldiers and Sailors Relief	8,000	8,000	8,000	-
Operating Transfers (Out)--Component Unit				
Economic Development Corporation	15,000	15,000	15,000	-
Total Other Uses	231,000	269,300	269,300	-
Total Expenditures and Other Uses	\$ 4,400,138	\$ 4,615,454	\$ 4,566,968	\$ 48,486

**ARENAC COUNTY**  
**COMBINING STATEMENT OF NET ASSETS**  
**DRAIN COMMISSION--COMPONENT UNIT**  
**December 31, 2004**

**EXHIBIT T**

	<b>GOVERNMENTAL ACTIVITIES</b>			
	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECTS</b>		
	Twining Village Sewer	Drain	Drain Revolving	Total
<b><u>ASSETS</u></b>				
Current Assets				
Cash		\$ 345,881	\$ 26,269	\$ 372,150
Total Current Assets	\$ -	345,881	26,269	372,150
Noncurrent Assets				
Special Assessments Receivable				
Due Within One Year		117,425		117,425
Due in More Than One Year		239,969		239,969
Due From Local Units of Government				
Due Within One Year	16,000			16,000
Due in More Than One Year	337,000			337,000
Capital Assets (Net)				
Assets Being Depreciated		592,246		592,246
Total Noncurrent Assets	353,000	949,640	-	1,302,640
Total Assets	\$ 353,000	\$ 1,295,521	\$ 26,269	\$ 1,674,790
<b><u>LIABILITIES</u></b>				
Current Liabilities				
Accounts Payable		\$ 15,288		\$ 15,288
Total Current Liabilities	\$ -	15,288	\$ -	15,288
Noncurrent Liabilities				
Long-Term Advances From				
Primary Government--General Fund			47,000	47,000
Bonds Payable				
Due Within One Year	16,000			16,000
Due in More Than One Year	337,000			337,000
Notes Payable				
Due in More Than One Year		210,000		210,000
Total Noncurrent Liabilities	353,000	210,000	47,000	610,000
Total Liabilities	353,000	225,288	47,000	625,288
<b><u>NET ASSETS</u></b>				
Invested in Capital Assets--Net of				
Related Debt		592,246		592,246
Restricted for Capital Projects		477,987	(20,731)	457,256
Total Net Assets	\$ -	\$ 1,070,233	\$ (20,731)	\$ 1,049,502



**ARENAC COUNTY  
COMBINING BALANCE SHEET  
DRAIN COMMISSION--COMPONENT UNIT  
December 31, 2004**

**EXHIBIT U**

	GOVERNMENTAL FUNDS			
	DEBT SERVICE FUND	CAPITAL PROJECT FUNDS		
	Twining Village Sewer	Drain	Drain Revolving	Total
<b><u>ASSETS</u></b>				
Cash		\$ 345,881	\$ 26,269	\$ 372,150
Special Assessments Receivable		357,394		357,394
Due From Village	\$ 353,000			353,000
Accounts Receivable				-
Due From Other Funds--Primary Government				-
Due From Other Funds--Component Units			20,731	20,731
Total Assets	\$ 353,000	\$ 703,275	\$ 47,000	\$ 1,103,275
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities				
Accounts Payable		\$ 15,288		\$ 15,288
Due to Other Funds--Component Units		20,731		20,731
Advances From Other Funds--Primary Government			\$ 47,000	47,000
Deferred Revenue	\$ 353,000	357,394		710,394
Total Liabilities	353,000	393,413	47,000	793,413
Fund Balance				
Designated for Capital Projects		309,862		309,862
Total Fund Balance	-	309,862	-	309,862
Total Liabilities and Fund Balance	\$ 353,000	\$ 703,275	\$ 47,000	\$ 1,103,275
Fund Balance--Total Governmental Funds				\$ 309,862
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Capital assets used in governmental activites are not financial resources and, therefore, are not reported in the funds.				592,246
The long-term special assessments are not considered "available" in governmental funds, but are considered earned and are recognized as revenue in the Statement of Activities.				357,394
Certain receivables, such as due from local units of government, are not due in the current period and, therefore, are not reported in the funds.				353,000
Certain liabilities, such as bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				(563,000)
Total Net Assets				\$ 1,049,502

**ARENAC COUNTY**  
**COMBINING STATEMENT OF ACTIVITIES**  
**DRAIN COMMISSION--COMPONENT UNIT**  
**For the Year Ended December 31, 2004**

**EXHIBIT V**

	PROGRAM REVENUES				
<u>Functions/Programs</u>	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
<u>Governmental Activities</u>					
Twining Village Sewer					
Interest on Related Debt	\$ 21,630		\$ 21,630		-
Total Twining Village Sewer	21,630	\$ -	21,630	\$ -	\$ -
Drain					
Public Works	118,892	239,969			121,077
Interest on Related Debt	-				-
Total Drain	118,892	239,969	-	-	121,077
Drain Revolving					
Public Works					
Total Drain Revolving	\$ -	\$ -	\$ -	\$ -	-
			Change in Net Assets		\$ 121,077
			Net Assets--Beginning of Year		928,425
			Net Assets--End of Year		<u>\$1,049,502</u>

**ARENAC COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES--DRAIN COMMISSION**  
**COMPONENT UNIT**  
**For the Year Ended December 31, 2004**

**EXHIBIT W**

	<b>GOVERNMENTAL FUNDS</b>			
	<b>DEBT SERVICE</b>		<b>CAPITAL PROJECTS</b>	
	Twining Village Sewer	Drain	Drain Revolving	Total
Revenues				
Contributions From Local Units	\$ 36,630			\$ 36,630
Special Assessments		\$ 75,825		75,825
Total Revenues	36,630	75,825	\$ -	112,455
Expenditures				
Public Works		71,935		71,935
Debt Service				
Principal	15,000			15,000
Interest and Fiscal Fees	21,630			21,630
Total Expenditures	36,630	71,935	-	108,565
Excess of Revenues Over (Under) Expenditures	-	3,890	-	3,890
Other Financing Sources (Uses)				
Note Proceeds		210,000		210,000
Total Other Financing Sources (Uses)	-	210,000	-	210,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	213,890	-	213,890
Fund Balance--January 1, 2004	-	95,972	-	95,972
Fund Balance--December 31, 2004	\$ -	\$ 309,862	\$ -	\$ 309,862

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances--Total Governmental Funds	\$ 213,890
Village contributions related to principal payments are recorded as revenues in governmental funds, but have already been recorded as revenue in the year the debt was incurred.	(15,000)
Note proceeds are recorded as an other financing source in governmental funds, but note proceeds increase long-term liabilities in the Statement of Net Assets.	(210,000)
Special Assessment Receivables are not recorded as revenue in governmental funds, but are recorded as revenue in the Statement of Activities.	239,969
Special Assessment revenue recorded in governmental funds for prior years are not recognized as revenue in the in the Statement of Activities.	(75,825)
Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Assets.	15,000
Depreciation is not recorded as an expense in governmental funds, but is recorded as an expense in the Statement of Activities.	(46,957)
Change in Net Assets of Governmental Activities	\$ 121,077



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JAY B. RISING  
STATE TREASURER

April 1, 2005

Arenac County Board of Commissioners  
120 North Grove Street  
Standish, Michigan 48658

RE: Report on Compliance and on Internal Control over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance With  
Government Auditing Standards

Dear Board Members:

We have audited the financial statements of Arenac County as of and for the year ended December 31, 2004, and have issued our report thereon dated April 1, 2005. We did not audit the financial statements of the Arenac County Road Commission (component unit--governmental fund type) which statements reflect total assets of \$4,333,382 as of December 31, 2004, and total revenues of \$4,948,467. These financial statements were audited by other auditors. Our opinion on these financial statements, insofar as it relates to the amounts included for the Arenac County Road Commission, is based solely on the reports of other auditors.

The County of Arenac adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures;" and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of October 1, 2003.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether Arenac County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Arenac County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Arenac County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the board members, Federal awarding agencies, and State and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division